

LEHRER MANAGEMENT CO., INC.

DESCRIPTIVE BROCHURE

*20400 Stevens Creek Blvd.
Suite 230
Cupertino, CA 95014
(408) 996-3390
www.LehrerManagement.com*

This booklet describes the activities and services of Lehrer Management Co., Inc. (LMC) and its predecessor Lehrer Management Co., Sole Proprietorship. Lehrer Management Co., Inc. was founded in 1998 as the successor to Lehrer Management Co., Sole Proprietorship. The Corporation was formed to provide for continuation of the Company. LMC is registered with the SEC under the Investment Advisers Act of 1940.

TABLE OF CONTENTS

- **Introduction**
- **History of Lehrer Management Co., Inc.**
- **Growth at LMC**
- **Services**
- **Security Selection & Portfolio Structure**
- **Investment Policies**
- **Selection of the Stock Brokerage Company**
- **Fee Schedule**
- **Cumulative Effects of Annual Fees**
- **Ethics and Privacy**
- **Company Personnel**

INTRODUCTION

Lehrer Management Co., Inc. (LMC) is a registered investment adviser providing personalized investment management services including financial analysis, planning, and portfolio management. LMC has the necessary organization, experience, and expertise to exercise “discretion” over the accounts, which means the clients are relieved of the necessity of making investment decisions which they are not prepared for or not interested in making.

This is accomplished by first obtaining an in-depth picture of the financial status of the client including income and expenses, as well as assets and liabilities. Realistic current and future financial goals are identified. Based on this information, an investment program is defined with the objective of meeting or exceeding those goals. LMC concentrates its efforts on portfolio management and customer service. We approach each client’s goals individually and consider financial decisions by looking at the whole picture.

Effective financial management demands that the manager place the interests of the clients first. LMC does not sell any products nor receive any commissions from third parties for recommending investments to its clients. Many organizations, including brokerage firms and financial planners, recommend products for which they receive payments from third parties in addition to the fees charged to the client; these products include mutual funds and insurance policies. Receipt of these payments by other advisers may lead to investment decisions not in the best interest of the clients. In contrast, LMC derives its entire fee income from its clients. LMC does receive certain services on a no-charge basis from brokerage firms where the accounts are domiciled. These include downloads of computer files describing the daily transactions, confirmations, and statements. Research may also be provided.

The investment management fees charged annually are one percent of the assets up to \$500,000 plus one-half percent of the assets over \$500,000. The fee may be negotiated in the case of special situations.

LMC does not invest in mutual funds. Diversification is an essential element in investing--since it is not possible at any time to know what is held in a particular fund, it is difficult (if not impossible) to achieve effective diversification with funds. Further complicating the problem of diversification, is the fact that there may be no relationship between the name of the fund and securities held in it. Another disadvantage of an adviser employing mutual funds is that the client pays two management fees, one fee to the adviser and the second to the fund.

LMC has the expertise within the organization to manage the clients’ accounts. Many advisers subcontract out the management of the accounts, which means the client pays two management fees and cannot contact the actual manager of their funds.

In the more than 30 years that LMC has been in business, the assets under management have grown from less than \$1 million in 1980 to \$267 million as of December 31, 2009.

HISTORY OF LEHRER MANAGEMENT CO., INC

Following is a detailed history of Lehrer Management Co., Inc., which is provided since its origins may be considered somewhat unusual.

Lehrer Management Co. (Sole Proprietor) was founded by Norman H. and Lenore R. Lehrer in 1979. Beginning in 1949, they were investors in the stock market. Norman Lehrer's initial occupation, however, was that of a physicist, having received Bachelors (1951) and Masters Degrees (1954) in that subject. An investment policy was evolved between 1949 and 1961 by Norman Lehrer, which provided acceptable returns. This policy was a contrarian one; a diversified portfolio was constructed, primarily composed of stocks which were out of favor and usually selling at low price/earnings ratios. Over a period of time, while a few stocks declined and several were unchanged, the ones that advanced provided the overall portfolio with a reasonable return. Such portfolios underperformed the market averages in up years but outperformed it in down years.

In the late 50's and early 60's, Norman H. Lehrer invented and developed the first radar display tube which could be viewed in daylight. Prior to that, pilots viewed the dim radarscope through a hood, which required dark adaptation of the eye taking 30 seconds to one minute to occur. This delay in target detection not only made the aircraft vulnerable to hostile missiles, but increased the threat of collision with the ground, especially for low flying aircraft. This tube became a feature of the airborne radar systems of the Hughes Aircraft Co. L.A. Hyland, who managed the Hughes Aircraft Co., Inc. for Howard Hughes, directed Norman Lehrer to make presentations to engineers in the various operating divisions of the Hughes Aircraft Company concerning use of the tube. At the end of his presentation, he would inquire if anyone wanted to hear a brief presentation on opportunities in the stock market. If there was interest, he would describe some of the opportunities in out-of-favor and neglected stocks, and write a few suggestions on the blackboard. These stocks frequently gained in price. In 1965, a Hughes mathematician, who was retiring, asked if Norman Lehrer would manage his money, which he agreed to do, free of charge. A few others followed.

In 1970, Mr. Lehrer joined Watkins-Johnson Co. where additional people became non-paying clients. In 1977, it was decided to charge a fee for service to those who had become clients.

Norman H. Lehrer was active in a professional society of display engineers entitled, "The Society for Information Display." In 1978, he was invited to be the luncheon speaker, who usually gave a non-technical speech. Mr. Lehrer chose "An Engineering Approach to the Stock Market or How to Get Rich Slowly Maybe" as his topic. The Field Sales Manager of Watkins-Johnson Co., who was supposed to attend the presentation, missed it. A few days later, the manager called Norman Lehrer and asked if he could come to his home to hear the speech, and that he would like to bring a young lady with him on their first date. A day was agreed upon and the presentation was made to the Field Sales manager and the young lady.

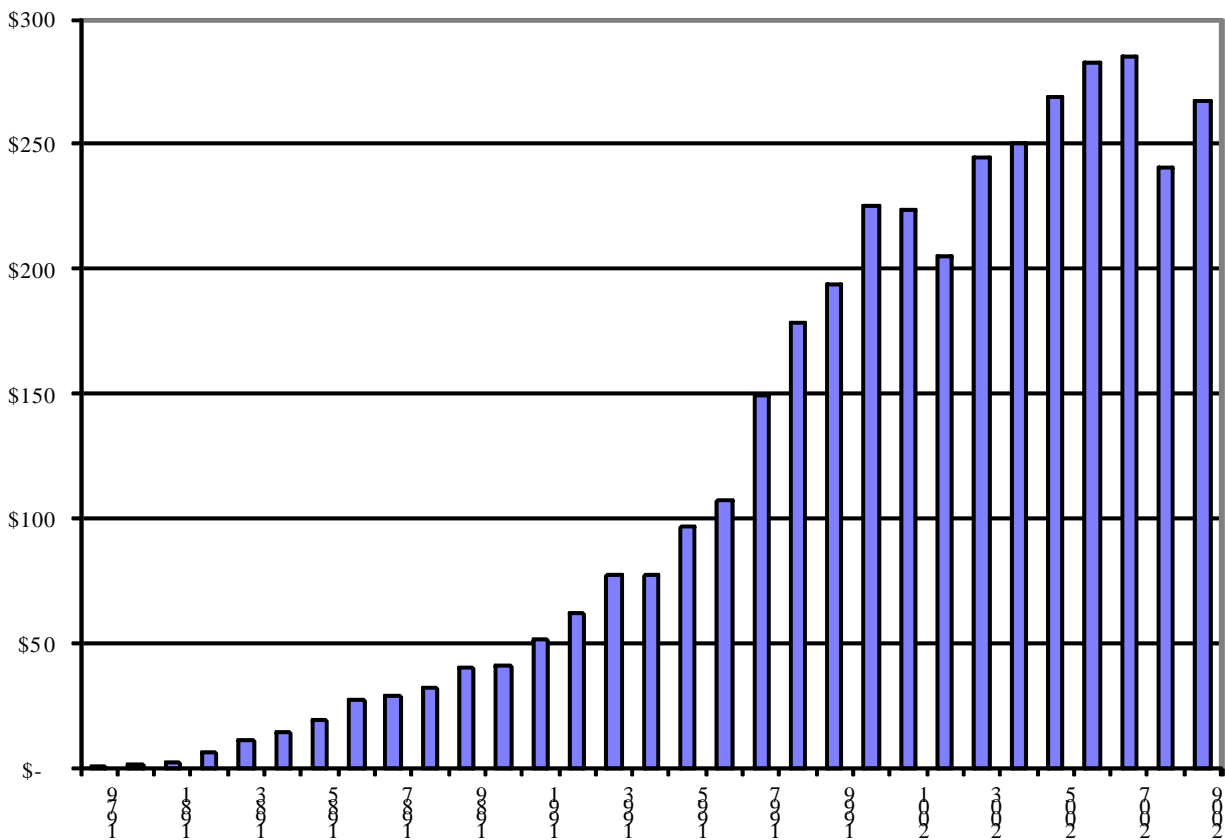
At the conclusion of the presentation, the young lady stood up and said that the medical personnel at the hospital where she worked as a float nurse needed to hear this presentation. She offered to go through the hospital and invite various personnel to come to the Lehrer's living room and hear the presentation. After this plan was agreed to, monthly meetings were held for about the next year. Most of the attendees were nurses. Even though the presentation was not a sales presentation many of these attendees requested that LMC manage their funds.

Most accounts opened initially were small accounts, ranging from \$2,000 to \$25,000. With the passage of time, the clients started to refer their friends who had significantly more money to invest. The assets under management grew from under \$1 million in 1980 to about \$50 million by the end of 1992. The workload was now too great to be performed by Norman and Lenore Lehrer without additional support. In 1992, an employee was hired and the operation was moved from the Lehrer's home to an office in Cupertino, California. LMC continued to grow and by the end of December 2009, assets under management were about \$267 million with the number of employees growing to 8.

GROWTH AT LMC

LMC has shown significant growth in assets under management since 1979. The graph below illustrates the change.

Assets Under Management
(\$millions)



*Prior to 1998 Lehrer Management Company Inc. was a sole proprietorship registered as Lehrer Management Company.

SERVICES

PERSONALIZED PORTFOLIO MANAGEMENT

LMC provides personalized financial management services to its clients by first obtaining detailed information, and then supplementing financial analysis, planning, and continuous portfolio management.

LMC services accounts of individuals and couples, as well as trusts, IRAs, and retirement plans. It also services business, custodial, and collateral accounts. Generally, LMC requires that clients have a minimum of \$500,000 to invest in one account, however, this may vary depending upon the circumstances.

Detailed information is requested from the client to maximize effectiveness of portfolio management. This information includes: income, expenses, assets, liabilities, insurance, financial obligations, age, general health and financial goals. Financial goals may include current or future income and desired retirement age.

INVESTMENT APPROACH

Once financial goals have been defined by the client, an investment approach is determined by LMC. The strategy and portfolio are tailored to each client's individual situation and include a combination of securities such as stocks, corporate bonds, treasury bonds, municipal bonds, money market funds, options, and limited partnerships. LMC structures the client's portfolio by diversification and time phasing of purchases and sales.

LMC adopts a customized approach with the client's investment objectives uppermost in mind. Whether the goal is growth, growth with income, or income, LMC designs the investment strategy to meet the goal. Other factors considered include the client's marginal tax bracket, marital status, age, budget, and retirement objectives.

Income objectives are a major consideration in structuring the portfolio. Generally these objectives fall into one of the following categories:

- Maximize the client's current income
- Focus on growth in portfolios until retirement age, with minimal emphasis on income generation
- Focus on growth until retirement, with no present emphasis on income

Taxes are also a major consideration. Our typical strategy is evolved to minimize taxes.

RISK LEVEL & DYNAMIC RISK MANAGEMENT

Selection of a risk level (high, moderate, or low) is dependent upon several factors. The major subjective factor is the emotional nature of the client--how well the client can tolerate substantial volatile changes in the value of the portfolio. Objective factors to be considered include the existence of other assets and the associated risks, as well as the earned income generated by the client. The concept of risk level is not a fixed parameter, but rather a dynamic one. At inception of a new account, the level of risk is generally kept to a minimum, but as the profits in the account accrue, the risk level may be increased.

INVESTMENT SUPERVISORY ACCOUNT

The basic service provided by the Lehrer Management Company, Inc. is the investment management of money on a continuing basis. Personal financial planning, advice and guidance may also be given. The securities markets are the principal areas of investment although advice may also be given covering other areas. Each client determines the types of services desired by selecting from one of two types of accounts. One type is the Managed Account in which the management of the account is based on very limited knowledge, usually confined to the goals of the client for the funds placed under management. The Managed Account is discussed in the next section.

Management of the Investment Supervisory Account may involve some financial planning and is based on a detailed knowledge of the financial status, needs and goals of each client, normally on an informal basis. The knowledge may include income, expenses, assets, debts, other investments, insurance, personal and family obligations to the extent each client is willing to disclose them. Budgets for expenditures as well as the establishment of a reserve fund may be suggested. The investment funds and securities of each client are normally held in the client's security account over which certain personnel of Lehrer Management Company, Inc. have limited trading authorization (limited power of attorney). The minimum amount of funds accepted for management from a client is normally \$500,000 for one account, although lesser amounts may be

SERVICES

considered, depending upon the situation. The fees for the Investment Supervisory Account are determined by the amount of assets under management as well as by the nature of any financial planning and consulting services selected.

The Lehrer Management Company, Inc. does not obtain possession of the securities or funds of any client. Such funds and securities are usually retained by the stockbroker. The only funds which the Lehrer Management Company, Inc. can remove from the account are the management fees. Although the client can select the broker, it is usually preferable to utilize one of several brokers the Lehrer Management Company, Inc. has a current relationship. Personnel of Lehrer Management Company, Inc. have discretionary authority over the account as to which and how many securities are to be bought and sold. This authority can be modified or limited depending upon the requirements of each client. Each prospective client is interviewed to determine the exact nature of the financial management desired. Those wishing to limit the information disclosed are provided the Managed Account.

MANAGED ACCOUNT

Some clients prefer to have certain assets managed within the guidelines of their stated goals without disclosure of their detailed financial situation. These clients are provided with the Managed Account. They have separate security accounts over which Lehrer Management Company, Inc. has limited trading authorization. The Lehrer Management Company, Inc. does not obtain possession of the securities or funds of any client. Such funds and securities are held by the stock brokerage house (the custodian). The only funds which the Lehrer Management Company, Inc. can remove from the account is the management fee, except for those funds which are either sent to the client or used to purchase securities elsewhere. Although the client can select the broker, it is usually preferable to utilize one of several brokers the Lehrer Management Company, Inc. has a current relationship. Personnel of Lehrer Management Company, Inc. have discretionary authority over the account as to which, when, and how many securities are to be bought and sold. This authority can be limited or modified by the client, depending upon the particular situation and needs of the client. The fees

for the Managed Account are determined by the amount of assets under management as well as by the nature of any financial planning and consulting services selected.

SECURITY SELECTION & PORTFOLIO STRUCTURE

SOURCES OF INFORMATION

The Wall Street Journal, Barrons, Forbes, Investors Business Daily, Quarterly and Annual Reports of various companies, as well as newspapers and various publications are the principal sources of information used by the Lehrer Management Company, Inc. Subscriptions include advisory services such as the Value Line, and Standard and Poors. Some internet subscriptions are also used, such as briefing.com. Research reports prepared by brokerage houses are also reviewed.

METHOD OF ANALYSIS / BASIS OF STOCK SELECTION

Economic, financial, and fundamental information is used as a source to provide a general background for anticipating and analyzing the performance of the security markets.

The technological, economic, and financial news are monitored closely. Such information helps to provide a basis for evaluating the performance of the security markets. For a given security, the specific factors include sales, earnings, and dividends. These specific factors are considered against a background of more general factors, which include changes in technology and economic conditions.

The primary method of security analysis used is based on a fundamental approach. Stocks with low price/earnings ratios and higher yields are normally emphasized. Those with high price/earnings ratios and low or no dividends are avoided or kept to a low percentage of the portfolio.

Methods of technical analysis and charting are not employed.

BASIS OF BOND SELECTION

The allocation of bonds between taxable and tax-free bonds is determined by several factors. These include but are not limited to the client's tax bracket, diversification needs, and overall risk profile. The key consideration in selecting taxable versus non-taxable investments is the taxable equivalent yield.

The use of fixed income securities helps to reduce the volatility of accounts while providing a steady income to the client. For the sake of diversification, bonds of varying maturities are often purchased.

Municipal Bonds

Municipal bonds play an important role in the generation of tax-free income in otherwise taxable investments. Income from bonds issued within the state of residence of the recipient are free of both state and federal income taxes. If the recipient of the income does not live in the state of issue, then the interest will be subject to state income taxes only.

Municipal bonds come in two general classes: rated and non-rated. The risks associated with non-rated bonds are usually higher than rated bonds and as such the rated bonds have a lower yield. In its selection of bonds, LMC normally purchases a mix of both non-rated and rated bonds. Clients may specify that only rated bonds be purchased.

Taxable Bonds

Taxable fixed income investments utilized by LMC include treasuries, agencies of the U.S. government, and corporate bonds. The allocation between the three available choices is determined by the client's risk profile and current offerings available in the market.

PORTFOLIO STRUCTURE

The principal investment strategy employed is the crafting of a diversified portfolio where the risk is tailored to the appropriate level as determined by the overall financial situation of the client. Diversification is by both security selection and timing of the investments. Investments are normally confined to stocks and bonds, including U.S. Treasuries, Agencies, Corporate and Municipal. Limited partnerships and derivatives are normally avoided. Funds in the account may be held in the money market fund until appropriate investments are found. Most of the stocks selected are low price/earning ratio, dividend paying stocks held for the long term. A portion of the portfolio may be invested in more growth-oriented securities paying little or no dividends. Tax-free municipal bonds may be purchased for clients in high income tax brackets. The risk is minimized for new accounts and accounts with limited profits or losses. The degree of risk with the possibility of greater returns is frequently increased as the profits accrue for a particular client.

Mutual Funds are generally not recommended or normally purchased for clients. If clients come with

SECURITY SELECTION & PORTFOLIO STRUCTURE

mutual funds in their portfolios, the funds will normally be liquidated over a period of time. In instances where mutual funds are retained in the account, clients are essentially paying two advisory fees; one to Lehrer Management Company and the other to the adviser of the mutual funds.

Client funds are not invested in any security, such as a hedge fund or mutual fund, with which we are affiliated. Lehrer Management Company has no affiliations with any hedge or mutual funds.

Purchases are normally made for cash. Margin purchases, short-term trading, short-sales, option writing and commodities are normally avoided.

None of the employees of Lehrer Management Company serve as officers and/or directors of a public company in which client funds are invested.

Lehrer Management Company does not have any financial interest in any public company in which we trade securities for our clients, except that we may also own the same security. Lehrer Management Company does not participate in initial offerings. If such were the case, priority of purchase would be given to clients. Clients can participate in limited investment opportunities based on suitability of limited opportunity of client risk profile.

Securities managed by LMC include:

- Common Stocks
- Securities listed on major exchanges
- Over-the-counter securities
- Corporate debt securities
- Warrants
- Certificates of deposit
- Municipal Bonds
- Government securities
- Mutual Funds
- Option contracts on securities
- Money Market Funds
- Interests in partnerships investing in real estate, oil and gas

INVESTMENT POLICIES

PARTICIPATION IN TRANSACTIONS

As a general guideline, when appropriate, LMC portfolio managers seek to invest, not trade, in the same securities as their clients and vice versa. At times, this is impractical because a security bought by a portfolio manager may not be suitable for any or all of our investors. The key criterion in such transactions is the suitability of the investment for the individual investor.

Employees of Lehrer Management Company, Inc. may participate in limited investment opportunities with clients. In every case, priority is given to the appropriate clients before employees can participate. It is the policy of the adviser to allow employees to participate in block transactions with clients, so long as priority is given to clients in the purchase or sale of securities. Lehrer Management Company, Inc. employee transactions will be on the same or at less favorable terms than those received by clients.

When trades are made, the quantity of securities involved is generally too small to produce a significant effect on a security's market price. In any case, LMC personnel will not engage in short-term buying and selling of securities in their own accounts in order to profit from transactions implemented for their clients at their clients' expense.

PURCHASE AND SALE OF SECURITIES FROM CLIENTS

Neither LMC nor its personnel normally purchase from or sell securities to clients.

SOFT DOLLARS

The term "Soft Dollars" may be generally defined as credits provided by a brokerage house for the benefit of an investment adviser to a third party in return for trades placed with the brokerage house by the investment adviser. Such soft dollars can be used to pay for research for the investment adviser. Two types of soft dollars have evolved in the brokerage business: explicit and implicit. Explicit soft dollars may be defined as soft dollars arising from the investment adviser not negotiating the lowest commission with the brokerage house and the difference between the lowest commission and that which the client pays constituting soft dollars. Implicit soft dollars arise when the investment adviser apparently negotiates the lowest commission, but the brokerage still is willing to pay for such research services provided by a third party.

LMC's policy is not to accept any explicit soft dollar payments in return for trades placed with any brokerage house.

LMC does receive certain free services from the brokers where the accounts are housed and other brokers where trades are placed. These free services may be classified as implicit soft dollars. Primarily, these include free copies of the confirmations and monthly statements of our clients' accounts, as well as computer services to enable the downloading of transactions and research reports. LMC, through its participation in the TD Ameritrade Institutional program, may receive discounts on compliance, marketing, technology, and practice management products or services provided by third party vendors.

THIRD PARTY COMPENSATION

Neither LMC nor its personnel receive any fees from third parties for the financial management or planning performed for clients. The only compensation received is from the client. If such compensation were offered by a third party, it would either be refused or completely passed on to the client.

OUR SERVICES

Review of Accounts

LMC reviews each account in detail at least quarterly and monitors most securities owned by clients daily. Each periodic review may consider:

- Changes in net asset value
- Unrealized capital gains and losses
- Realized capital gains and losses
- Current suitability of investments

A client's request or a major change in the investment climate may trigger more frequent reviews. News affecting securities or any unusual behavior may also cause a review.

Presently, there are three portfolio reviewers: Norman H. Lehrer, president, Jonathan G. Riley, portfolio manager, and Stuart Friedman, portfolio manager. Depending upon the portfolio, changes may be approved by the portfolio managers, Investment Committee or by Norman H. Lehrer.

INVESTMENT POLICIES

Timely Reporting

Clients are kept current on their accounts through regular reports from both the broker and LMC.

Broker's Reports

Confirmation: Describes each individual transaction, sent within a day or two of the transaction.

Monthly Statement: Summarizes all transactions within the account for the month. Provides a month end statement of the holdings in the account.

(Quarterly reports may be substituted if there is no activity in the account for 3 months.)

LMC's Reports:

Semi-Annual Report: Indicates overall account status as of June 30th of the current year.

Annual Report: Summarizes the performance in the account for the calendar year.

Avoiding Conflicts of Interest

In order to avoid a conflict of interest between LMC and its clients, the following principles are followed: The only compensation received by LMC for its services to a client is the fee paid by the client. If a third party offered compensation, it would be either refused or passed along in full to the client.

Under no circumstances are commissions received by LMC for effecting security transactions. LMC never acts as broker or agent for an investment advisory client or any other person.

Block Trading

Block trades may or may not be used in purchasing securities for clients. It is true that some cost saving in commissions could probably be achieved through the use of block trades, but since the turnover in the accounts is usually very low there would not be a large savings in absolute dollars. Lehrer Management Company, Inc. prefers to review the accounts one at a time and place the order for a particular security as soon as possible after the decision is made rather than wait for the review of many accounts, which could delay placing the order.

Discrete orders are generally placed for each account. Under some circumstances it may be advantageous to the client to aggregate the individual orders into one single order. Each individual account will participate

in an aggregated order at the average share price with all transactions shared on a pro-rated basis subject to a minimum charge per account.

The portfolio manager may aggregate trades for employee accounts with those of clients, however, such employee transactions will occur only after client orders are completed or at the same time but not on terms that are more favorable than those received by clients.

Corporate Reorganizations/Corporate Actions

Lehrer Management Company, Inc. has a policy of responding, when authorized by its clients, to all corporate actions and reorganization activity on their behalf. Lehrer Management Company, Inc. will act on such corporate actions in a timely manner as part of its full discretionary authority over client assets in accordance with Lehrer Management Company's Proxy Voting policies and procedures. Corporate actions may include, for example and without limitation, tender offers or exchanges, and class actions.

When acting with respect to corporate actions for clients, Lehrer Management Company's utmost concern is that all decisions be made solely in the best interest of the client (and for ERISA accounts, plan beneficiaries and participants, in accordance with the letter and spirit of ERISA). The advisor will act in a prudent and diligent manner intended to enhance the economic value of the assets of the client's account.

Notwithstanding the foregoing, Lehrer Management Company has adopted the policy that it will not accept voting authority over what are commonly known in the securities industry as "proxy statements," which typically relate to matters of corporate governance. The distinction of whether a communication from an issuer qualifies as (i) a corporate reorganization or other corporate action, or (ii) a proxy statement, is made by the issuer, not by Lehrer Management Company, Inc. or by the custodian.

SELECTION OF THE STOCK BROKERAGE COMPANY

LMC is a registered investment adviser, but not a stockbrokerage company. While LMC is entitled to provide advice and management over securities accounts for a fee, it is not authorized to hold the clients' assets or implement trades. Buying, selling, and holding must be done by a company that is registered as a broker-dealer and a member of the National Association of Security Dealers. LMC obtains a Limited Trading Authority from each client. This allows LMC to make investment decisions on behalf of the client. The client may impose restrictions on such investments.

LMC uses brokerage companies which normally charge reduced fees or give special reductions to clients of LMC. Charles Schwab & Co., Inc, Fidelity Investments, and TD Ameritrade are the brokerage companies currently employed.

In selecting a brokerage firm, LMC considers these factors:

- The financial condition of the brokerage firm
- Whether reduced commissions are available to the clients of LMC
- Whether the overall service provided by the brokerage firm is satisfactory
- Whether the general policies of the brokerage firm are consistent with those of LMC

The broker-dealer used to buy or sell securities is normally the broker-dealer where the account is located. Orders for an account with one broker are normally placed with that broker unless, in the case of a purchase, another broker can offer the security at a lower price or a security that is not available from the first broker. Similarly, in the case of a sale, the order is normally placed with the broker where the account is, unless another broker can offer a higher price. These price differentials do not occur with listed securities but can happen with over-the-counter securities such as municipal bonds. The differential must be sufficiently great to make it worthwhile conducting business with a broker other than where the account is located.

Commission rates are normally determined by the custodian. Occasionally when there are a small number of shares involved in a transaction, as is often

the case with spin-offs and mergers, a lower commission may be negotiated.

LMC is not constrained to purchase securities only from the brokerage company where the client's account is located (the custodian). At all times, LMC is free to seek the best security selection and execution from any brokerage company on behalf of its clients. Securities purchased from other brokerage companies will be delivered into the client's account. When securities are purchased from the selling firm and delivered into the account with the custodian broker, then two commissions may be involved. Usually the total commission is less than one percent.

In the case of municipal bonds, the custodian brokerage house may charge a service charge or commission usually ranging from 0.25% to 0.75% of the value of the transaction which could be avoided if the bonds are purchased individually from another broker. The overall costs and inconvenience of maintaining multiple accounts and arranging for the delivery of securities would exceed the cost of the service charge or commission charged by the first broker. Such transactions are undertaken only when the custodian broker is unable to offer comparable securities at a lesser overall cost.

The nature of the research supplied by the brokerage firm may range from merely providing copies of advisory service reports on various stocks to furnishing the brokerage firm's own reports on companies. Research provided by one broker where some LMC client accounts are located may be used to service accounts at other brokers; such services are not always used to manage the accounts at the broker providing the research. Discount brokers and full-line brokers who offer a discount to LMC's clients are usually recommended. Because the level of service is taken into account, the brokerage firm recommended is not always the one with the lowest commission.

INSURANCE

Each account is insured against fraud and theft by the brokerage firm, to at least \$250,000,000 for securities and cash above SIPC coverage.

Lehrer Management Company, Inc. is not affiliated with any brokers/dealers.

SELECTION OF THE STOCK BROKERAGE COMPANY

REFERRAL PROGRAM WITH BROKER-DEALERS

The principal source of new business for Lehrer Management Co., Inc. is referrals from its existing clients and professionals such as accountants and lawyers. In such a situation no one is paid cash or otherwise compensated for such referrals, although we may invite these individuals for refreshments.

LMC presently participates in the TD Ameritrade Institutional program and various other independent and unaffiliated broker-dealer programs. LMC currently compensates TD Ameritrade Institutional for the referral of their clients. Compensation to TD Ameritrade Institutional is outlined below. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. LMC receives some benefits from TD Ameritrade through its participation in the program. In such cases, LMC may make presentations to their personnel or to their clients or potential clients. On these occasions, LMC may pay for refreshments for the office staff.

LMC's participation in these referral programs is not conditioned upon LMC recommending that security transactions for the client be executed through the referring broker. LMC participates in referral programs with broker-dealers whose level of service, research, and fees qualify for best execution. In addition, for specific transactions where "best execution" cannot be achieved with participating broker-dealers, other broker-dealers will be utilized. LMC acknowledges its duty of best execution for its clients and will inform each client referred that neither they nor LMC are under obligation to trade through the referring broker-dealer. Clients referred from broker-dealers will be treated on the same basis as clients obtained from other sources.

As disclosed above, LMC participates in TD Ameritrade's institutional customer program and LMC may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between LMC's participation in the program and the investment advice it gives to its clients, although LMC receives economic benefit through its

participation in the program. These benefits include: receipt of duplicate client confirmations; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and allocate the appropriate shares to client accounts); ability to have advisory fees deducted directly from client accounts; and access to the TD Ameritrade website for client order entry and account information. These benefits received by LMC [or its related persons] do not depend on the amount of brokerage transactions directed to TD Ameritrade.

As part of its fiduciary duties to clients, LMC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by LMC [or its related persons] in and of itself creates a potential conflict of interest.

LMC may receive client referrals from TD Ameritrade, Inc. ("TD Ameritrade") through its participation in the TD Ameritrade AdvisorDirect (the "referral program"). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, LMC may have been selected to participate in AdvisorDirect based on the amount of profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained at TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with LMC and there is no employee or agency relationship between them. TD Ameritrade has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise LMC and has no responsibility for LMC's management of clients' portfolios or LMC's other advice or services. LMC pays TD Ameritrade an on-going fee for each client referral. This fee is usually a percentage (not to exceed 15%) of the advisory fee that the client pays to LMC ("Solicitation Fee"). Advisor will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by LMC from any referred client's family members, including a spouse, child, or any other family member who resides with the referred client and hired LMC on the recommendation of such referred client. LMC will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation

SELECTION OF THE STOCK BROKERAGE COMPANY

Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

LMC's participation in AdvisorDirect may raise potential conflicts of interest. Although not required, LMC may recommend TD Ameritrade to clients for custody and brokerage services. LMC may also cause client trades to be executed through TD Ameritrade rather than another broker-dealer. As part of its fiduciary duty to clients, LMC endeavors at all times to put the interests of its clients first. LMC acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at TD Ameritrade may be executed through a different broker-dealer than trades for LMC's other clients. Thus, trades for accounts custodied at TD Ameritrade may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers. Eligibility for and continued participation in the AdvisorDirect program may be dependent upon the advisor meeting a minimum dollar amount of client assets custodied at TD Ameritrade. Thus, advisor may have an incentive to recommend that client accounts be held in custody at TD Ameritrade. In addition, LMC has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. LMC's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

Lehrer Management Company, Inc.'s referral agreement is in compliance with federal regulations as set out in 17 CFR section 275.206(4)-3, and the solicitation/referral fee is paid pursuant to a written agreement retained by both Lehrer Management Company, Inc. and the solicitor and provided to the client prior to or at the time of entering into any investment advisory contract.

FEE SCHEDULE

HOW FEES ARE DETERMINED

The basic annual portfolio management fee for the Investment Supervisory Account and Managed Account is 1% of the value of the assets up to \$500,000, 0.5% of the value of the assets between \$500,000 - \$10,000,000, 0.4% of the value of the assets between \$10,000,000 - \$20,000,000, and 0.3% of the value of the assets between \$20,000,000 - \$30,000,000. The value of the assets is chosen at a particular point in time; the fees are prorated for assets added after that point. The minimum annual fee for one account (or name) is \$5,000, which includes a yearly non-refundable data-processing charge of \$300. The minimum charge for each additional but related account held in a different name is \$300, which includes the non-refundable data-processing charge of \$300. The overall fee may be negotiated or adjusted, depending upon individual circumstances, but in no case will it be based on sharing in capital gains or capital appreciation. A limited amount of financial planning is frequently provided at no additional charge. Where extensive financial planning is required, then the fees are as mutually agreed. There is normally no charge for additional consultations pertaining to the management of the funds.

TIMING OF FEE PAYMENTS

Fees are due at the start of four approximately equal installment periods, with the amount of the first installment equal to a \$300 data-processing fee per account plus the balance divided by the number of installment periods. The overall fee may be negotiated or adjusted, depending upon individual circumstances, but in no case will it be based on sharing in capital gains or capital appreciation. Lehrer Management Company does not charge performance-based fees.

FINANCIAL PLANNING AND CONSULTING FEES

Financial planning and consulting fees are due and payable as mutually agreed.

The Lehrer Management Company, Inc. does not normally provide consultations to persons who are not its clients. If such a situation did occur, then the fee and time of payment would be negotiated.

CANCELLATION

The Financial Management Agreement may be canceled at any time, for any reason, by either party giving written notice to the other. It can be canceled without penalty within five business days after both parties have signed. After that, fees paid in advance will be refunded on a prorated basis except for the non-refundable portion in event of cancellation by either party. For example, in the case of a \$500,000 account for which the annual fee is \$5,000, the first payment made at the start of the period would be \$1,500. If the account were terminated after one month, the refund would be \$789.

OTHER FEES

Neither Lehrer Management Company, Inc. nor its personnel receives any fees or commissions from third parties as a consequence of the financial management or financial planning performed for the clients. The only compensation received is from the client. If compensation were offered by a third party, then it would be either refused or completely passed on to the client.

CUMULATIVE EFFECT OF ANNUAL FEES

The table below shows the cumulative effect of the annual fee subject to the following assumptions:

- \$500,000 and \$1,000,000 initial investments
- 10% annual return before fee
- 1% annual management fee for assets up to \$500,000 plus 1/2% of assets over that amount
- Though fees are paid quarterly in advance by clients, the illustration below assumes fees are taken out at the end of the year, in one lump sum.

CUMULATIVE EFFECTS OF ANNUAL FEE FOR \$500,000 INVESTMENT

YEAR	ASSETS NO FEE	ASSETS AFTER FEE	CUMULATIVE FEE
	\$	\$	\$
0	500,000	500,000	0
1	550,000	545,000	5,000
2	605,000	594,275	10,225
3	665,500	648,231	15,696
4	732,050	707,313	21,438
5	805,255	772,008	27,474
6	885,781	842,849	33,834
7	974,359	920,419	40,548
8	1,071,794	1,005,359	47,650
9	1,178,974	1,098,368	55,177
10	1,296,871	1,200,213	63,169

The above table illustrates under the indicated assumptions that the cumulative profit after 10 years with no management fee would be \$796,871 compared to \$700,213 with a tiered management fee. The cumulative management fee is \$63,169 in this case.

CUMULATIVE EFFECTS OF ANNUAL FEE FOR \$1,000,000 INVESTMENT

YEAR	ASSETS NO FEE	ASSETS AFTER FEE	CUMULATIVE FEE
	\$	\$	\$
0	1,000,000	1,000,000	0
1	1,100,000	1,092,500	7,500
2	1,210,000	1,193,788	15,463
3	1,331,000	1,304,697	23,931
4	1,464,100	1,426,144	32,955
5	1,610,510	1,559,127	42,586
6	1,771,561	1,704,744	52,881
7	1,948,717	1,864,195	63,905
8	2,143,589	2,038,794	75,726
9	2,357,948	2,229,979	88,420
10	2,593,742	2,439,327	102,070

The above table illustrates under the indicated assumptions that the cumulative profit after 10 years with no management fee would be \$1,593,742 compared to \$1,439,327 with a tiered management fee. The cumulative management fee is \$102,070 in this case.

ETHICS/DISASTER RECOVERY/ CONTINGENCY PLAN/ PRIVACY

CODE OF ETHICS

Lehrer Management Company, Inc. has a Code of Ethics. The Code sets forth the expectations of Lehrer Management Company, Inc. regarding standards of conduct, fiduciary duties, required compliance with all securities regulations, required reporting of violations of the Code to the Chief Compliance Officer, and required written acknowledgement of receipt of the Code by personnel. A copy of the Code of Ethics is available to clients upon request.

DISASTER RECOVERY/CONTINGENCY PLAN

Lehrer Management Company has a Disaster Recovery/Contingency Plan. This sets forth the policies and procedures to be utilized if the current office location is destroyed or otherwise unavailable.

PRIVACY

LMC collects non-public personal information about the client from the applications, forms, statements, and other documents he or she provides to LMC, from conversations and correspondence between the client and LMC's representatives, from account statements and from similar materials that LMC receives (with the client's permission) from his or her brokers or other service providers, and from transactions that the client enters into with or through LMC. LMC does not disclose non-public information about the client or about LMC's former clients to anyone, except as specifically authorized by the client or as otherwise permitted by law. Thus, for example, LMC may use the client's personal information to process or service transactions for the client or to administer the client's account, and LMC may provide this information to the client's representatives. However, LMC will not otherwise disclose the client's information to any third party.

LMC restricts access to clients' personal information to its employees on a need-to-know basis. Employees who leave the company have been previously informed that they are not permitted to disclose to anyone non-public information about the client. LMC also maintains physical, electronic and procedural safeguards that comply with federal standards to protect the client's non-public personal information.

COMPANY PERSONNEL

INVESTMENT PERSONNEL

Norman H. Lehrer

Norman H. Lehrer is president of LMC and chairperson of the Investment Committee. Investment management has been his principal occupation for more than 27 years. He has been an investor in the stock market since 1949 and has managed the portfolios of several associates at their request since 1965.

In 1979, Mr. Lehrer passed the N.A.S.D. Series 1 General Securities Examination and became a Registered Investment Adviser, founding the Lehrer Management Company. In 1996, he passed the N.A.S.D. Series 65 Investment Adviser General Law Examination, which was required for adviser registration in some states outside of California.

Before 1980, Mr. Lehrer's principal employment was in the electronics industry. From 1970 to 1980, he worked as a staff scientist at Watkins Johnson Co., where he founded the cathode-ray tube product line. Prior to that, he was president and technical consultant to Electro-Vision Industries, Inc., a manufacturer of special purpose electron tubes and video displays. He also worked at Hughes Research Laboratories as a section head and department manager of the technical staff.

In 1968, Mr. Lehrer was chosen as one of the initial twelve outstanding inventors of the Hughes Aircraft Co. In 1974, he was presented the Frances Rice Darne Memorial Award by the Society for Information Display for advances in display technology.

Mr. Lehrer earned a Bachelor of Science degree in Physics from the College of the City of New York in 1951. He also received a Master of Science degree in Physics from New York University in 1954. He was born in 1928 in the Bronx, New York.

Jonathan G. Riley

Jonathan G. Riley is a vice president and a member of the Investment Committee. He began his career at LMC as an intern in 1997, and in 1998 became a full-time employee as assistant portfolio manager. He was promoted to the position of portfolio manager in 2000 and to Vice President in 2003.

In 1998, Mr. Riley passed the Series 7 exam, as well as the Series 65 exam. Mr. Riley graduated from Santa Clara University in Santa Clara, California with a Bachelor of Science Degree in Economics in 1998. He was born in 1976 in San Diego, California.

Stuart Friedman

Stuart Friedman is a portfolio manager and a member of the Investment Committee. Joining LMC in July 2002, Mr. Friedman has been an investor in the stock market for more than a decade. He has worked in the private equity sector for GFI Energy Ventures from 1995-2001, concentrating on opportunities in the deregulated power industry. He also served as U.S. Diplomat for the Department of State between 1985-1992, focusing on U.S. economic and commercial interests.

Mr. Friedman graduated from UC-Berkeley in 1982 with a B.A. in Economics and Political Science. In 1985, he received the J.D. degree from UC-Hastings College in San Francisco. Mr. Friedman passed the Series 65 exam in August 2002. He was born in 1959 in Chicago, Illinois.

Eric Patterson

Eric Patterson is an assistant portfolio manager for LMC. He graduated with honors from San Diego State University in 2005 with a Bachelor of Science degree in Finance and a Minor in Economics.

Mr. Patterson joined LMC in 2009 after being an alternative investment analyst with Charles Schwab & Co. He has previously worked in strategy consulting focusing on the financial services industry, as well as at a number of startups that were later acquired. Mr. Patterson is anticipated to complete the CAIA requirements in September of 2009 and CFA in August of 2011. He was born in Los Gatos, California.

ADMINISTRATIVE PERSONNEL

Lenore R. Lehrer

Lenore R. Lehrer is in charge of Administration for Lehrer Management Co., Inc. She is a co-founder of Lehrer Management Co. and a Director of the Company. She graduated from Walton High School in the Bronx, New York and then attended The College of the City of New York for three and one-half years. She was born in 1930.