

**Item 1 – Cover Page**

**Part 2A of Form ADV  
Brochure for:**

**BEARING ASSET MANAGEMENT, LLC**

2828 Hood St., Suite 902  
Dallas, TX 75219  
Phone: (214) 731-7190  
Email: [info@bearingasset.com](mailto:info@bearingasset.com)  
[www.bearingasset.com](http://www.bearingasset.com)

**July 11, 2011**

**This Brochure provides information about the qualifications and business practices of Bearing Asset Management, LLC (“Bearing” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at (214) 731-7190 or [info@bearingasset.com](mailto:info@bearingasset.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Bearing is a registered investment adviser with the state of SEC. Registration of an investment adviser does not imply any certain level of skill or training.**

**Additional information about Bearing is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

This Brochure was prepared for Bearing's 2010 annual updating amendment to Form ADV. The Firm's last annual amendment was filed on March 31, 2010.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our Brochure.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting William Laggner at (214) 731-7190 or [info@bearingasset.com](mailto:info@bearingasset.com).

### Item 3 – Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 - Performance-Based Fees and Side-By-Side Management .....	3
Item 7 – Types of Clients .....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9 – Disciplinary Information.....	9
Item 10 – Other Financial Industry Activities and Affiliations .....	9
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Item 12 – Brokerage Practices.....	11
Item 13 – Review of Accounts.....	13
Item 14 – Client Referrals and Other Compensation .....	13
Item 15 – Custody .....	14
Item 16 – Investment Discretion .....	14
Item 17 – Voting Client Securities .....	15
Item 18 – Financial Information.....	16
Item 19 – Requirements for State-Registered Advisers .....	16
Brochure Supplements	

## **Item 4 – Advisory Business**

### **A. Description of the Advisory Firm**

Bearing Asset Management, LLC (“Bearing”) is a Delaware limited liability company and it was formed on June 27, 2002. William Laggner and Kevin Duffy are the principal owners and Managing Members of Bearing.

### **B. Types of Advisory Services**

Bearing provides investment advice and management to a privately placed investment fund (the “Fund”) and separately managed accounts (“Separate Accounts”), primarily for individuals, trusts and estates. The Fund and Separate Accounts are jointly referred to herein as “Clients.”

Pursuant to the Fund’s offering memorandum, limited partnership agreement, and subscription documents (“Constituent Documents”), the objective of the Client will be first, preservation of capital, and second, long-term growth of capital. The Fund is offering interests (the “Interest(s)”) to certain qualified investors as described in response to Item 7, below (such investors or prospective limited partners are referred to herein as “Investors”).

The Fund’s limited partnership agreement imposes no limits on the types of securities or other instruments in which the Fund may take positions, the type of positions the Fund may take, or the concentration of investments. Bearing will have broad discretion to employ a wide variety of investment techniques, even if they involve changes in the investment approach initially anticipated. Proceeds from dispositions of portfolio securities will be reinvested and the Fund will not ordinarily make distributions to the Investors. Investors who are subject to income tax should be aware that an investment in the Fund is likely (if the Fund is successful) to create taxable income or tax liabilities in excess of cash distributions available to pay such liabilities. Accordingly, an investment in the Fund may not be suitable for prospective Investors who will be subject to and do not desire such consequences.

Bearing will implement a similar investment program on behalf of the Separate Accounts, pursuant to a Separate Account investment advisory agreement (also referred to herein as “Constitute Documents”).

### **C. Client Tailored Services and Client Imposed Restrictions**

Advisory services are tailored to achieve the Clients’ investment objectives. Generally, Bearing has the authority to select which and how many securities and other instruments to buy or sell without consultation with the Clients or their Investors, if applicable.

### **D. Wrap Fee Programs**

Bearing does not participate in wrap fee programs.

E. Amounts Under Management

Bearing manages the assets of the Clients and has the following assets under management:

Discretionary Amounts:	Non-Discretionary Amounts:	Date Calculated:
\$51,800,000	\$0	June 30, 2011

## Item 5 – Fees and Compensation

A. Fee Schedule

The fees and compensation payable to Bearing are negotiable and vary among its Clients. However, the range of compensation is generally as follows:

1. Management Fee
  - *The Fund.* From the Fund, Bearing typically receives a quarterly asset-based management fee calculated as a percentage of each Investor's capital account, payable quarterly in advance. The management fee is generally between 0.10% and 0.60% (per annum).
  - *Separate Accounts.* From the Separate Accounts, Bearing typically receives a 0.60% (per annum) management fee, payable quarterly in advance.
2. Incentive Allocation
  - *The Fund.* From the Fund, Bearing generally receives an incentive allocation equal to a percentage of the net income allocated to each Investor for the year, but only to the extent net income allocated to that Investor exceeds any cumulative losses that were allocated to that Investor for earlier periods and that have not been recovered (a "high water mark"). This incentive allocation is generally between 12% and 18% (per annum) and is typically made at the end of each calendar year.
  - *Separate Accounts.* Bearing does not receive an incentive allocation from management of the Separate Accounts.

The incentive allocation will only be charged to accounts of those Investors who are "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act"), in accordance with applicable state law.

B. Payment of Fees

Management fees, incentive allocations, and third-party fees (discussed below) are deducted from Client assets. Management fees, which are paid in advance, are withdrawn at the beginning of the quarter. Incentive allocations, if any, are allocated as of the last

business day of the calendar year and as of any date on which a withdrawal or a distribution is made from the Client or Investor's account.

C. Third-Party Fees

The Fund shall pay such costs and expenses as Bearing shall reasonably determine to be necessary, appropriate, advisable or convenient to carry on its business and realize its objective, including but not limited to: (i) management fees; (ii) all general investment expenses (i.e., expenses which Bearing reasonably determines to be directly related to the investment of the Fund's assets); (iii) all administrative, legal, accounting, auditing, record-keeping, tax form preparation, compliance and consulting costs and expenses; (iv) fees, costs and expenses of third-party service providers that provide such services; and, (v) any extraordinary expenses, among other expenses.

Generally, expenses for Separate Accounts are similar to those paid by the Fund.

Bearing's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Clients. Such charges, fees and commissions are exclusive of and in addition to Bearing's management fee, and Bearing shall not receive any portion of these commissions, fees, and costs.

Please see Item 12 of this Brochure regarding brokerage.

D. Prepayment of Fees

Bearing will pro rate the management fee for Interests held for less than a full quarter. Prepaid but unearned fees are refunded to the Clients and/or Investors, as the case may be.

E. Outside Compensation for the Sale of Securities

Neither Bearing nor its supervised persons accepts compensation for the sale of securities or other investment products outside of its association with Bearing.

### **Item 6 - Performance-Based Fees and Side-By-Side Management**

As discussed in Item 5.A., Bearing generally receives an incentive allocation equal to a percentage of the net income allocated to each Investor for the year, but only to the extent net income allocated to that Investor exceeds any cumulative losses that were allocated to that Investor for earlier periods and that have not been recovered (a "high water mark"). This incentive allocation, which is expected to range between 12% and 18% (per annum), is typically made at the end of each calendar year.

The incentive allocation will only be charged to accounts of those Investors who are "qualified clients" as defined in Rule 205-3 of the Advisers Act, in accordance with applicable state law.

The fact that Bearing earns an incentive allocation (from the Fund) only if it generates a profit creates a potential conflict of interest by providing a possible incentive for Bearing to

make riskier or more speculative investments on behalf of the Fund than it might make otherwise. Notwithstanding this potential incentive, Bearing will evaluate investments in a manner that it considers to be in the best interest of the Fund, given the Fund's investment objectives, investment strategies, suitability of the investment, and the Fund's risk profile.

In contrast, the Separate Accounts are not charged a performance-based fee ("side-by-side management"). A conflict of interest may exist between the Fund and the Separate Accounts, as Bearing does not collect an incentive allocation from the Separate Accounts. This arrangement might provide an incentive to favor accounts for which Bearing receives a performance-based fee (the Fund account). For example, Bearing may have an incentive to allocate limited investment opportunities to the Fund, which is charged performance-based fees over the Separate Accounts, which are charged asset-based fees only. To address this conflict of interest, Bearing has instituted policies and procedures that require Bearing to allocate investments in an effort to avoid favoritism among Clients, regardless of whether the Client is charged performance-based fees.

**The foregoing responses to Items 5 and 6 represent Bearing's basic compensation arrangements. The management fees and incentive allocations described above are structured to comply with Rule 205-3 under the Advisers Act and applicable state laws. Fees and other compensation are negotiable in certain circumstances and arrangements with any particular Client or Investor may vary. Although Bearing believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.**

## **Item 7 – Types of Clients**

Bearing provides investment advice and management to the Fund and Separate Accounts. The Separate Account clients include individuals; banks or thrift institutions; investment companies; pension and profit-sharing plans; trusts, estates, or charitable organizations; and corporations or business entities that those listed above.

Bearing may in the future provide the same or similar services to other privately placed investment funds and/or separately managed accounts.

### **1. *The Fund***

Bearing intends to restrict the number of Investors and will offer Interests only through non-public transactions in order to maintain the Fund's exclusion from "investment company" status under the Investment Company Act of 1940, as amended (the "Investment Company Act").

Prospective Investors in the Fund must meet eligibility criteria as set forth below, and are subject to certain withdrawal requirements and limitations. Prospective Investors are encouraged to thoroughly review the Funds' Constituent Documents, which set forth all of

the terms in detail. Though the Clients generally pursue the same strategy, offering terms may differ.

Each Investor generally must be an “accredited investors” (as defined in Regulation D under the Securities Act of 1933) and an Investor who is eligible to enter into a performance fee arrangement under state and/or federal law, as applicable. The minimum initial investment is \$500,000, subject to waiver at the discretion of Bearing.

## 2. *Separate Accounts*

Generally, similar terms will apply to Separate Accounts, though such Separate Accounts may have terms that differ or are more favorable than those for the Fund. The minimum initial account size for Separate Accounts is \$5,000,000.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### A. Methods of Analysis

Bearing’s primary methods of analysis are charting, fundamental, technical, and cyclical analysis using annual reports, prospectuses, SEC filings; mutual fund newsletters and rating services; statements of additional information; conversations with analysts and mutual fund managers; researched materials prepared by others; financial newspapers and magazines; company press releases; broadcast news services; internet and the World Wide Web; and other online news and data services.

**Investing in securities involves risk of loss that Clients and Investors should be prepared to bear.**

### B. Investment Strategies

As discussed above, overall objective of the Fund is long-term growth of capital with constant attention to the risk side of the equation. Bearing implements an investment strategy to meet that goal.

Assessing downside risk always comes before seeking rewards. The risk/reward tradeoff is dynamic and inefficient, changing with investor mood swings. When high return/low risk investments are plentiful, Bearing is prudently aggressive; when they are absent Bearing feels no desire to participate just for the sake of being “fully invested”.

Absolute returns are of primary concern. Bearing feels no pressure to outperform certain benchmarks, especially in the short-term. Opportunity always presents itself in due time; patience – at least with regard to investing – is a virtue. Relative returns are a secondary consideration, but only over the very long-term: 10 years. The Fund’s goal is to outperform other alternatives available over this period, such as:

- U.S. equities
- U.S. fixed income

- International equities
- Cash and cash equivalents

Bearing's goals is to grow capital for Investors 10% annually in excess of taxes and inflation without taking an inordinate amount of risk. Assuming a 28% average Federal tax rate and 3% rate of inflation, the Fund's nominal annual returns would have to fall in the range of 17% (net of all fees to Bearing) in order to achieve the investment objective of the Fund.

Bearing implements a similar investment strategy on behalf of the Separate Accounts.

Relevant risk factors include:

- *Short Sales.* Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a Client's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There is the risk that the Client would have to return the securities it borrows, in connection with a short sale, to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the Client may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.
- *Margin Borrowing.* Although it does not currently intend to do so, the Fund is authorized to engage in margin borrowing under Regulation T of the Federal Reserve Board's margin rules. Margin borrowing increases returns to Investors if the Fund earns a greater return on leveraged investments than the Fund's cost of such leverage. However, the use of margin borrowing exposes the Fund to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the Fund not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Fund's cost of leverage related to such investments. In case of a sudden, precipitous drop in value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Fund.
- *Lack of Liquidity of Fund Assets, Valuation.* Client assets may, at any given time, include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value accurately any such investments.

- *Lack of Diversification.* Client portfolios may not be as diversified as other investment vehicles. Accordingly, a Client's investments may be subject to more rapid change in value than would be the case if the Client were required to maintain a wide diversification among types of securities and other instruments and countries and industries.

**Investing in securities involves risk of loss that Clients and Investors should be prepared to bear.**

C. Risks of Specific Securities Utilized

Bearing will invest, on behalf of its Clients, primarily in equities, warrants, corporate debt securities, commercial paper, municipal securities, mutual fund shares, U.S. government securities, options on securities, and futures contracts.

Relevant risk factors include:

- *Equity Securities.* The value of the equity securities held by a Client are subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. While offering greater potential for long-term growth, equity securities are more volatile and more risky than some other forms of investment.
- *Non-U.S. Securities.* Investing in securities of companies domiciled or operating in one or more non-U.S. countries involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some non-U.S. governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend, interest or other payments) or confiscatory taxation may also affect investment in non-U.S. securities. Higher expenses may result from investment in non-U.S. securities than would from investment in domestic securities because of the costs that must be incurred in connection with conversions between various currencies and foreign brokerage commissions that may be higher than the United States. Non-U.S. securities markets also may be less liquid and more volatile than markets in the United States. Investments in non-U.S. countries could be effected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.
- *Special Situations.* Bearing may invest, on behalf of the Clients, in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of

special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a Client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Client may invest, there is a potential risk of loss by a Client of its entire investment in such companies.

- *Options.* The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Over-the-counter options also involve counterparty solvency risk.
- *Investments in Real Estate Investment Trusts.* Investments in Real Estate Investment Trusts ("REITs") are subject to the risks incident to the ownership and operation of real estate generally. Some of the risks associated with investments in real estate are declines in the value of real estate, risks related to general and local economic conditions, dependency on management skill, heavy cash flow dependency, possible lack of availability of mortgage funds, overbuilding, extended vacancies of properties, increased taxes and operating expenses, changes in zoning laws, losses due to costs resulting from the clean up of environmental problems, liability to third parties for damages resulting from environmental problems, casualty or condemnation losses, limitations on rents, changes in neighborhood values and the appeal of properties to tenants and changes in interest rates.
- *Commodities and Futures Contracts.* Trading in commodities and futures contracts are highly specialized activities that may entail greater than ordinary investment risks. Commodity futures markets (including financial futures) are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. Commodity futures trading may also be illiquid. Certain commodity exchanges do not permit trading in a particular type of future beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits – which conditions have in the past sometimes lasted for several days in certain contracts – Clients could be prevented from promptly liquidating unfavorable positions and thus be subject to substantial losses.

More information about the Client's investments and the associated risk factors is available in the Constituent Documents.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with Bearing. Prospective Investors and Separate Account Clients should read the entire Brochure as well the Constituent Documents, other materials that may be provided by Bearing and consult with their own advisers prior to engaging Bearing's services.**

**Investing in securities involves risk of loss that Clients and Investors should be prepared to bear.**

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Bearing or the integrity of Bearing's management. Bearing has no information applicable to this Item.

### **Item 10 – Other Financial Industry Activities and Affiliations**

A. Registration as a Broker-Dealer or Broker-Dealer Representative

Neither Bearing nor its management persons are registered as a broker-dealer or broker-dealer representative.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither Bearing nor its management persons are registered as an FCM, CPO, or CTA.

C. Relationships Material to this Advisory Business and Possible Conflicts of Interest

There are no other relationships or arrangements that are material to this advisory business.

D. Selection of Other Advisors or Managers

Bearing does not utilize nor select other advisors or third party managers. All assets are managed by Bearing.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics**

Bearing has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code governs the activities of each member, officer, director and employee of Bearing (collectively, “Employees”). Bearing holds its Employees to a high standard of integrity and business practices that reflects its fiduciary duty to the Client. In serving its Client, Bearing strives to avoid conflicts of interest or the appearance of conflicts of interest in connection with the personal trading activities of its Employees and Client securities transactions. When persons covered by the Code engage in personal securities transactions, they must adhere to the following general principles as well as to the Code’s specific provisions: (a) at all times the interests of Client must be paramount; (b) personal transactions must be conducted consistent with the Code in manner that avoids any actual or potential conflict of interest; and (c) no inappropriate advantage should be taken of any position of trust and responsibility. Employees covered by the Code have certain trading restrictions and reporting obligations of their personal securities transactions. Each Employee is provided with a copy of the Code and must annually certify that they have received it and have complied with its provisions. In addition, any Employee who becomes aware of any potential violation of the Code is obligated to report the potential violation to the Chief Compliance Officer.

Bearing will provide a copy of its Code of Ethics to Clients and prospective Clients upon request. Such a request may be made by submitting a written request to Bearing at the address on the cover page to this Brochure.

### **B. Recommendations Involving Material Financial Interests**

Employees and or members of Bearing may invest along with other Investors of the Fund.

Bearing may recommend and make investments into the Fund on behalf of Separate Account clients and as general partner to the Fund, Bearing has a material financial interest in the securities that it recommends. A potential conflict of interest may arise because Mr. Duffy and Mr. Laggner are the Managing Members of the Fund, which receives a performance-based fee. As discussed in Item 6, Bearing or its supervised person’s have an incentive to favor accounts for which Bearing and its supervised persons receive a performance-based fee. Bearing addresses the conflicts by ensuring that Clients that are charged performance-based fees do not receive preferential treatment. Bearing provides best execution practices and upholds its fiduciary duty for all Clients.

### **C. Investing Personal Money in the Same Securities as Clients**

Although Bearing’s policies and procedures generally prohibit its Employees and related persons from trading in the same instruments that Bearing buys or sells for Client accounts, there may be limited circumstances in which Bearing, its Employees and/or the related persons may also personally buy or sell the same instruments that Bearing buys or sells for

Client accounts, and it or they may own securities, or options on securities, of issuers whose securities are subsequently bought for Client accounts because of Bearing's recommendations regarding a particular security.

It is the expressed policy of Bearing that no person employed by Bearing may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such Employees from benefiting from transactions placed on behalf of advisory Clients. Bearing may aggregate trades for itself or for its associate person with Client trades, providing that the same conditions are met under the section covering "Aggregating Trading for Multiple Client Accounts" provided in Item 12 below.

Any Employee of Bearing shall not buy or sell securities for their personal portfolio(s) where the decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of Bearing shall prefer his or her own interest to that of the advisory Client.

Bearing maintains a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. An officer of Bearing reviews these holdings on a regular basis.

Bearing requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.

**D. Trading Securities At/Around the Same Time as Clients' Securities**

As discussed above, from time to time, Bearing, its Employees, or related persons of Bearing may buy or sell securities for themselves that Bearing also recommends to the Client. Bearing will always document any transactions that could be construed as conflicts of interest and will always transact Client business before the business of its Employees and/or related persons when similar securities are being bought or sold.

## **Item 12 – Brokerage Practices**

**A. Factors Used to Select or Recommending Broker-Dealers**

Bearing will always have discretion as to the placement of brokerage (and accordingly, the commission rates paid) and this determination will be based upon four factors: (1) where the best execution (price) is likely to be obtained; (2) a brokerage firm's research and investment ideas that directly impact the Clients' portfolio; (3) a firm's ability to properly execute any orders (based on the size of the trade and its complexity to execute); and (4) the operational aspects of a brokerage firms' back office (will the Clients receive payment of securities on a timely basis) and custodian or other administrative services. Bearing acknowledges its obligation to seek the best order execution reasonable within the circumstances of a trade. However, Bearing does not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction. All commissions

and fees paid to brokers and custodians are determined by their standard fee schedule. Bearing will not seek Client approval prior to these commissions and fees being paid.

1. Research and Other Soft Dollar Benefits

Bearing currently does not anticipate receiving research or other products or service other than execution from a broker-dealer or third-party in connection with Client securities transactions ("soft dollar benefits"). However, in the future, Bearing shall have the right if, in good faith, it considers it to be in the best interest of the Clients and consistent with Bearing's obligations to do so, to enter into "soft dollar" arrangements with one or more broker-dealers. All "soft dollar" arrangements will fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act, as that safe harbor is currently interpreted by the Securities and Exchange Commission. If in the future, Bearing obtains "soft-dollar" benefits, this document will be appropriately amended.

2. Brokerage for Client Referrals

Bearing does not consider, in selecting or recommending broker-dealers, client referrals from a broker-dealer. Bearing may receive referrals in the future and if it does it will appropriately amend this document.

3. Directed Brokerage

Bearing does not direct brokerage. Securities transactions are executed by brokers selected by Bearing in its discretion and without the consent of the Clients or Investors. Not all investment advisers require their clients to direct brokerage.

B. Aggregating Trading for Multiple Client Accounts

Bearing may (but is not required to) combine orders on behalf of one Client account with orders for other Client accounts for which it or its principals have trading authority, or in which it or its principals have an economic interest. When it does, Bearing will generally allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) according to the following procedures.

Bearing's policies for the aggregation of transactions shall be fully disclosed in this Form ADV and separately to Bearing Asset Management's existing clients and the broker-dealer through which such transactions will be placed. No Client will be favored over any other Client; each Client that participates in an aggregated order will participate at the average share price for all Bearing transactions in a given security on a given day, with transaction costs shared pro-rata based on each Client's participation in the transaction.

Bearing will prepare, before entering an aggregated order, a written statement ("Allocation Statement") specifying the participating Client accounts and how it intends to allocate the order among those Clients. If the aggregated order is filled in its entirety, it will be allocated among Clients in accordance with the Allocation Statement. If the order is partially filled, it will be allocated pro-rated on the Allocation Statement.

Notwithstanding the foregoing, the order may be allocated on a basis different from the specified in the Allocation Statement if all Clients' accounts receive fair and equitable

treatment and the reason for different allocation is explained in writing. Bearing's books and records will separately reflect, for each Client account, the orders that are aggregated, the securities held by, and bought and sold for that account.

Bearing receives no additional compensation or remuneration of any kind as a result of the proposed aggregation. Individual advice and treatment will be accorded to each Client.

### **Item 13 – Review of Accounts**

A. Frequency and Nature of Periodic Review and Who Makes Those Reviews

Bearing reviews Client accounts on a daily basis to ensure consistency with the Client's strategy and performance objectives. A weekly review focuses on the analysis of investment positions with respect to: price movement, portfolio objectives, global market conditions, and performance of alternative securities. Individual securities are reviewed before and after a trade is made. The reviews are conducted by Mr. Laggner.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may take place more frequently if triggered by economic, market, or political conditions. Reviews may also occur more frequently upon client request, change in client objectives or financial status, and other events which may affect investment positions.

C. Content and Frequency of Regular Reports

Clients will generally receive quarterly unaudited reports of performance and will receive audited year-end financial statements annually. The report includes current investment balances as well as return figures since inception. Reports reflect the after fee(net) performance. The qualified custodian and/or broker provides monthly statements for Separate Accounts detailing transactions and account positions. Separate Account clients will also receive confirmations for each transaction.

The foregoing reports are provided in written and/or electronic form.

### **Item 14 – Client Referrals and Other Compensation**

A. Economic Benefits Provided by Third Parties

Bearing does not receive any economic benefit, directly or indirectly from any third party for advice rendered to the Client.

B. Compensation to Non-Advisory Personnel for Client Referrals

Currently, neither Bearing nor its related persons directly or indirectly compensates any person who is not advisory personnel for Client referrals. If in the future Bearing enters

into such arrangements, this Brochure will be appropriately amended. At such time, the following fee schedule may apply:

1. Registered Investment Advisors who refer business to Bearing will be paid a 20% fee of the total fee paid to Bearing (annually). This fee is subject to change based on market conditions.
2. Brokers/dealers will be paid after 12 months of original investment as follows:

<u>Assets referred</u>	<u>Fee</u>
\$500,000	\$2,000
\$501,000-\$750,000	\$2,500
\$751,000-\$1,000,000	\$3,200
>\$1,000,000	\$4,000

### **Item 15 – Custody**

Bearing does not have custody of Client funds or securities. Client securities are held by qualified custodian(s) and Clients should receive, on not less than a quarterly basis, account statements from the broker-dealer, bank or other qualified custodian having custody. Bearing will not maintain physical possession of the funds or securities of any private investment fund, including the Client. Bearing will at all times comply with any custody rules and regulations under the federal laws with respect to the assets in the accounts.

Bearing urges Clients and Investors to carefully review such statements and compare such official custodial records to the account statements that it may provide.

### **Item 16 – Investment Discretion**

The Constituent Documents generally authorize Bearing to invest and trade the Clients' assets in a broad range of investments, to be selected at Bearing's sole discretion, with no specific limitations as to type, amount, concentration, or leverage. Further, Bearing may enter into any type of investment transaction and employ any investment methodology or strategy it deems appropriate.

Pursuant to the Constituent Documents, each Investor in the Fund designates Bearing as its attorney-in-fact to execute, certify, acknowledge, file, record and swear to all instruments, agreements and documents necessary or advisable to carrying out the Fund's business and

affairs, including execution of the Fund's governing documents. An Investor's execution of a Fund's subscription agreement constitutes its execution of the Fund's governing documents.

### **Item 17 – Voting Client Securities**

For Separate Accounts, Bearing does not have authority to vote proxies. For the Fund, however, Bearing exercises voting authority over proxies and has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended. The policies require Bearing to vote proxies received in a manner consistent with the best interests of the Fund.

The policies also require Bearing to vote proxies in a prudent and diligent manner intended to enhance the economic value of the assets of the Fund. However, the policies permit Bearing to abstain from voting proxies in the event that the Fund's economic interest in the matter being voted upon is limited relative to the Fund's overall portfolio or the impact of the Fund's vote will not have an effect on its outcome or on the Fund's economic interests.

Certain of Bearing proxy voting guidelines are summarized in a general manner below:

- Bearing votes for: uncontested director nominees recommended by management; the election of auditors recommended by management, unless a dispute exists over policies; limiting directors' liability; and eliminating preemptive rights.
- Bearing votes against proposals to: entrench the board or adopt anti-takeover measures; proposals to provide cumulative voting rights; and social issues.

Although many proxy proposals may be voted in accordance with Bearing's proxy voting guidelines stated above, some proposals will require special consideration, and Bearing reserves the right to make a decision on a case-by-case basis in situations including, but not limited, proposals to: eliminate director mandatory retirement policies; rotate annual meeting locations and dates; grant options and stock to management and directors; and indemnify directors and/or officers.

Where a proxy proposal raises a material conflict between Bearing's interests and the interests of the Fund, Bearing will seek to resolve the conflict in the best interest of the Fund.

Clients may obtain a copy of Bearing's complete proxy voting policies and procedures upon request. Clients may also obtain information from Bearing about how Bearing voted any proxies on behalf of their account(s).

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the firm’s financial condition. Bearing has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.

A. Balance Sheet

Bearing does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this Brochure.

B. Financial Condition

Bearing has discretionary authority over the Client’s assets. At this time, neither Bearing nor its management persons have any financial conditions that are likely to reasonably impair its ability to meet contractual commitments to Clients.

C. Bankruptcy Petitions in Previous Years

Bearing has not been the subject of a bankruptcy petition in the last ten years.

### **Item 19 – Requirements for State-Registered Advisers**

Bearing is only registered as an investment adviser with the SEC and is not registered at the state level. This Item is therefore not applicable.