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Firm Brochure

Part 2A of Form ADV

December 31, 2010

This brochure provides information about the qualifications and business practices of Crane Asset Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (323) 852-9300, or by email: info@craneasset.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Crane Asset Management, LLC is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training.

Additional information about Crane Asset Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This brochure has been prepared as an update to Crane Asset Management's previous Form ADV Part 2, last updated on March 22, 2010. Since the last update, new regulations have required significant changes to the format of Form ADV Part 2, and this document was prepared in response to those new SEC regulations. It is materially different from previous Crane Asset Management, LLC filings and includes certain new information that our previous filings did not require. This new information, however, describes longstanding practices. No aspects of our business have changed materially since our previous filings.

In the future, this Item 2 will be used to provide clients with a summary of material changes that are made to this brochure since the last annual update.

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Item 4. Advisory Business

Crane Asset Management, LLC (Crane) is located in Beverly Hills, California and was founded in 2003. John R. Frye, CFA and Sharon E. Blunk are the principal owners of the firm, each with a 50% share.

Crane manages client portfolios designed to meet individual clients' objectives as determined by consultation and discussion with our clients. Each client portfolio is managed separately and individually. We consider the overall circumstances of our client (e.g., tax status and situation, risk tolerance, asset allocation, etc.) in the construction and subsequent management of a portfolio. Crane manages all accounts on a fully discretionary basis, which allows us to buy and sell as we determine without prior consultation with the client.

Our Chief Investment Officer evaluates an extensive array of information to identify and analyze investment ideas. This information includes, but is not limited to: corporate annual and quarterly reports; corporate SEC filings; electronic databases; research from multiple sources, including brokerage firms; and personal contact (when appropriate) with corporate management and industry analysts. Our Chief Investment Officer is available at any time to discuss the holdings in a portfolio with the client, or to answer any questions clients might have.

Taxable portfolios (that is, portfolios for whom realized gains are subject to taxation), may use margin when deemed appropriate to the client's circumstances, e.g., risk tolerance and investment objective. The degree to which margin may be used, if at all, is established in consultation with the client.

Because we engage in an investment advisory business and manage more than one account, there may be conflicts of interest over our time devoted to managing any one account among all accounts managed by us. We attempt to resolve all such conflicts in a manner that is generally fair to all of our clients.

Occasionally, Crane will invest client assets in certain securities, including participating in initial public offerings (IPOs), that may present a short-term opportunity for profit. In such situations Crane may not be able to buy enough shares for all clients for whom such an opportunity is appropriate given their investment objectives. (Since we assume that when participating in an IPO that there is a likelihood that the stock in question will open at a price above its issue price, we would consider it appropriate to buy shares for all client accounts, except those accounts with client restrictions or insufficient cash.) In that case, our procedure is to allocate those shares to clients on a pro rata basis, unless the partial fill represents a small portion of the amount necessary to satisfy all client accounts for whom the opportunity is appropriate. In that case the shares are allocated to client portfolios on a random basis.

Clients may make additions to and withdrawals from their account at any time, provided that all additions and withdrawals are made after giving Crane timely notice. Cash will be made available for withdrawal only when transactions effected to raise cash are settled by the Custodian. Clients should be aware that frequent withdrawals may adversely affect their account's performance.

As of December 31, 2010, Crane had \$62,448,887 in discretionary assets under management.

Item 4. Advisory Business (continued)

Privacy Policy

Annually, Crane provides notice to clients outlining the firm's Privacy Policy. Our current policy is as follows:

At Crane Asset Management, LLC we maintain the confidentiality and integrity of client information. We value your trust and confidence in protecting your personal financial information and, as you may be aware, certain federal regulations require us to inform you how we manage and safeguard your information.

Crane's Privacy Policy applies not only to written and electronic files, but also to information you provide us through transactions you conduct by telephone, e-mail and through correspondence. Additionally, we limit the availability of client information to those employees who need it to provide services to you.

In providing service to you we collect non-public information about you from the following sources:

- Information we receive from you on applications or other forms;
- Transactions and cash flows in your account authorized by you;
- Information you or your advisers share with us in the course of our relationship with you.

Because we are an independent investment adviser, we have no affiliates or related organizations with whom we might share information. We share information about you only with those you have expressly designated. For example, if you ask us to, we will share needed information with your accountant or attorney. We also may disclose personal information about our clients or former clients to nonaffiliated third parties, such as regulatory agencies and other consultants, as required by law and/or to assist us in fulfilling our compliance obligations.

We value our relationship with you. We continue working to protect and increase the value of your investments. As always, we stand ready to confer with you about any changes in your financial situation. And, of course, we are always available to respond to any questions you may have about specific holdings in your portfolio. Please feel free to call us at any time.

Item 5. Fees and Compensation

Fees are payable quarterly in advance. The basic annual fee for services is:

<u>Amount Under Management</u>	<u>Annual Fee</u>
Valuation to \$500,000	2.00%
\$500,000 to \$2 million	1.50%
\$2 million to \$5 million	1.00%
Over \$5 million	0.75%

The fee is generally calculated on the dollar value of all managed assets in the portfolio at the start of the billing period. Exceptions to this practice are disclosed to the client in writing in advance of the assessment of the fee. Each portfolio holding is valued as of the market close at the end of the previous period. In the case of accounts that use margin, the fee is calculated on the net value of assets in the portfolio, after deduction of the amount of the margin loan. Certain client accounts are subject to fee schedules that differ from the schedule listed above. No fee, however, will exceed 2% of account valuation per annum. Clients may negotiate a fee schedule based on various factors, including asset size and services requested. A rate less than our basic fee may be charged on accounts containing a portion of their value in fixed income securities. A rate less than our basic fee may also be charged on eleemosynary assets. Under certain circumstances, unilaterally at our sole discretion, advisory fees may be reduced or waived by us.

If a client chooses, he or she can authorize automatic deduction of management fees from his or her account. When Crane sends client advisory-fee bills directly to the custodian who automatically pays Crane, payment is made under the following conditions: (1) the client has authorized the arrangement in writing; (2) Crane sends a bill to the custodian indicating only the amount of the fee to be paid by the custodian and at the same time sends a statement to the client; (3) the statement shows the amount of the fee, how it was calculated, and the value of the assets on which the bill is based; and (4) the custodian sends to the client at least quarterly an account statement which identifies the amount of funds and of each security in the account at the end of the period and sets forth all transactions in the account during that period, including the fee that has been paid to Crane.

Advisory Services for Proprietary Accounts

Crane provides investment management services for certain proprietary (in house) accounts. Those services are discussed further under Item 11 below. Crane does not currently receive any management fees for the services it provides to these accounts.

Termination of Management Agreement

If a client does not receive a copy of this Form ADV Part II at least 48 hours prior to signing the investment management agreement with Crane, the client may terminate such agreement within five (5) business days after the date of execution without penalty or liability for payment of fees. (Provided, however, any investment action taken by Crane regarding the client's account prior to the effective date of such termination shall be at client's risk.) Thereafter, the agreement may be terminated at any time by either party with or without cause upon written notice to the other party. In such circumstance, the prepaid fee will be prorated and any unearned fees will be refunded.

Item 5. Fees and Compensation (continued)

In the event the client terminates the agreement and requests that the account be fully liquidated, it may take Crane a number of days to sell all the securities in the account due to the fact that some securities may be less liquid and more thinly traded and may take more than one day to sell. As it does when placing all client trades, Crane will seek the best execution it believes is available at that time.

Item 6. Performance-Based Fees and Side-By-Side Management

Performance-based fees are defined as fees based on a share of capital gains or capital appreciation of the assets of a client. Crane does not charge any performance-based fees.

Item 7. Types of Clients

Crane provides investment management and counseling services for individuals, corporations, pension and profit sharing plans, charitable institutions, foundations and charitable trusts. In general, we impose a minimum of \$500,000 on new accounts. However, we may at our sole discretion waive that minimum.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Our Chief Investment Officer evaluates an extensive array of information to identify and analyze investment ideas. This information includes, but is not limited to: corporate annual and quarterly reports; corporate SEC filings; electronic databases; research from multiple sources, including brokerage firms; and personal contact (when appropriate) with corporate management and industry analysts.

Crane focuses on investing our clients' portfolios in equities of attractive public companies which we believe have the potential to offer above market returns over the long term. When a client's investment objectives for a portfolio indicate that it is appropriate, we may also invest all or a portion of a portfolio in fixed income securities rather than equities. While we focus on a stock's long-term growth potential when selecting equity investments, we may also take advantage of short-term fluctuations in the market or changes in fundamentals on a shorter-term basis. We research the fundamentals of each security considered for purchase and we buy when we feel that the price is attractive. Client portfolios may contain holdings in smaller companies as well as positions in larger, more seasoned companies.

We work to identify securities that we believe have the potential, over a multi year time horizon, to grow significantly. We will buy securities when we believe that they are trading at a price that is reasonable relative to the growth and return potential and the risk involved. Initially, we will typically invest approximately 3% of a client's equity portfolio in a company if such an investment is suitable for the client. To construct client portfolios, we select holdings in companies representing a number of different industry groups, as well as companies that vary in size. However, we may purchase a smaller initial investment if we feel that it is prudent to do so given market conditions or the stock's volatility. Because our investments typically have a long time horizon, turnover in a client portfolio will usually be low.

When we begin the process of investing a client portfolio, it may take us an indefinite period of time to become fully invested. The reason for this is that we are willing to be patient when buying into companies we are analyzing as potential investments. We generally do not attempt to "time" the market. To the extent that a portfolio contains equities, it will tend to decline in value if the market declines. We do not believe that it is possible to be consistently successful at timing the market by selling stocks to avoid market declines, nor do we believe that it is possible to be sure that the market has turned until after a recovery is well under way.

We will sell stock in a client's portfolio for one of three reasons: (1) the security's prospects have deteriorated to the point that we feel they are inferior to those of an alternative candidate for investment; (2) a portfolio needs to be rebalanced following a client's withdrawal of funds; or (3) to reduce a position that has appreciated so that it represents a proportion of the value of a client's portfolio that we view to be excessive from a standpoint of risk exposure to fundamental changes at the company involved.

Each client portfolio is individually managed. Therefore, the action we may take in one client portfolio may differ from the timing or nature of action taken with respect to another client portfolio. Although portfolios under our management may contain many of the same assets, they will differ from each other in composition for a number of reasons. Portfolios with similar objectives may differ because we aim to buy the best mix of assets for a client when we purchase securities for the client's portfolio. Additional changes occur as funds are added to or withdrawn from a portfolio. In addition we may refrain from selling appreciated assets in order to minimize the impact to the client of capital gains taxes.

As always, investing in securities involves risk of loss that clients should be prepared to bear.

Item 9. Disciplinary Information

Neither Crane nor any of its officers, directors or employees has any disciplinary history.

Item 10. Other Financial Industry Activities and Affiliations

Neither Crane nor any of its Supervised Persons are affiliated, or have any relationships or arrangements with any other firms that are material to our advisory business. Crane is not a broker-dealer and none of its supervised persons are representatives of a broker-dealer.

Both John Frye and Melissa Montgomery are members of the CFA Institute (CFAI), the world's largest association of investment professionals. With over 100,000 members, and regional societies around the world, CFAI is dedicated to developing and promoting the highest educational, ethical, and professional standards in the investment industry. John Frye and Melissa Montgomery are also CFA (Chartered Financial Analyst) charterholders, a professional designation earned through an intensive process involving three annual exams, continuing education, and ongoing adherence to the CFA Standards of Practice. Further information about the CFA institute is available on their website at www.cfainstitute.org.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Crane has established a Code of Ethics, which applies to all officers, directors and employees (collectively, "Supervised Persons"). Crane has posted a summary of its Code of Ethics on its website, and will provide a copy of the full text of the Code to all clients and prospects upon request. The general principles of the Crane Code of Ethics are as follows:

- All Supervised Persons at Crane Asset Management, LLC have a duty at all times to place the interests of clients first.
- All Supervised Persons at Crane Asset Management, LLC are required to comply with applicable securities laws.
- All Supervised Persons are required to conduct securities transactions in their personal accounts in such a manner as to be consistent with the principles outlined in the Crane Compliance Manual (and repeated in Part IV of the Code), and are required to avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility.
- It is incumbent upon all Supervised Persons at Crane Asset Management, LLC that they be aware of the position of trust that they are in by virtue of their position at the Firm, and that they not take inappropriate advantage of their position.
- Information concerning the identity of security holdings and financial circumstances of clients is confidential. It is incumbent upon all Supervised Persons at Crane Asset Management, LLC that they observe their duty to maintain the privacy of client information at all times.
- Independence in the investment decision-making process is paramount.

Item 11. Code of Ethics, etc. (continued)

Failure to comply with the Firm's Code of Ethics may result in disciplinary action, including termination of employment.

The principals, officers and employees of the firm, as well as the firm's proprietary accounts may at times own securities that are also owned by clients of the firm. The personal securities accounts of the principals of the firm, the firm itself, other officers and employees of the firm, as well as client accounts in which a member of the firm or of their immediate household has a financial interest are collectively referred to below as "Proprietary Accounts."

Transactions for some Proprietary Accounts may be entered through the firm's trading desk. When we buy or sell a security for both client accounts and Proprietary Accounts, we give priority to client accounts over Proprietary Accounts. On a day that we buy or sell for client accounts, we do not permit a Proprietary Account to execute an order in advance of a client order. Before permitting a Proprietary Account to execute an order we first determine that the action contemplated would not also be appropriate for clients at that time and price. When executing trades, we generally do not aggregate orders for Proprietary Accounts together with orders for client accounts unless such an aggregated transaction is considered to provide immediate benefit to clients in terms of price or commission rate.

Proprietary Accounts may buy or sell different investments, for their own specific investment considerations, which we may not deem appropriate to buy or sell for clients. It is also possible that Proprietary Accounts may take positions contrary to positions taken by clients.

Crane maintains a Restricted List, containing all securities either (1) held in client accounts or (2) under consideration for investment in client accounts. The securities on the Restricted List, along with any securities for which no public market exists (i.e., private placements), are collectively referred to as "Covered Securities." Crane requires that all orders to purchase or sell Covered Securities, including options, derivatives or convertibles of those securities, in Proprietary Accounts be approved in writing by the firm's compliance officer prior to their entry. Crane's Chief Investment Officer also serves as the firm's Chief Compliance Officer. Crane further requires that all employees provide Crane with copies of trade confirmations and statements for all accounts beneficially owned by them.

Item 12. Brokerage Practices

Client assets are held in brokerage accounts in the client's name, at a brokerage firm or bank trust department that serves as a qualified third-party custodian. Crane is not affiliated with any firm that it recommends to clients as a third party custodian. While clients can choose their own custodian, Crane typically recommends that their account(s) be held at TD Ameritrade Institutional, Inc. (TDA), a brokerage firm.

Crane buys and sells securities for clients using a broker that we feel will provide the best execution in that security at the time the order is entered. While we have the ability to trade with a large number of brokerage firms, the vast majority of trades for clients whose accounts are held at TDA are executed through TDA's automatic order entry system. In selecting a broker other than TDA for any transaction, we may consider a number of factors including, for example, research provided, net price, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block positioning capabilities and willingness to execute related or unrelated difficult transactions in the future. Those brokers charge a commission or a mark-up or mark-down on the trades they execute, and for clients whose assets are held at TDA, TDA assesses an additional \$10 per ticket charge for all trades done away from them. Crane typically aggregates orders to buy or sell a security for a number of clients at one time. In general, we determine which broker will execute a trade for our client portfolios and the commission rate that clients will be charged on listed stocks.

Often, we combine orders in the same security for many clients' portfolios and place one large order for clients' portfolios that will participate in the transaction. When we place a large order for stock in the open market, we may receive partial executions at different prices. When this happens, we request the brokerage firm to average the price received in all transactions on the same day so that all clients' portfolios participating in the transaction on that day receive the same execution price. However, there may be occasions when certain clients receive different execution prices on the same day.

We try to minimize the market impact of our trading in an attempt to obtain the best price possible. In the event that the broker is not able to complete a large order at our price limit, we will allocate the partially filled order to client portfolios on a pro rata basis unless the partial fill is a small portion of the entire block order. In that case, the fill is assigned to client portfolios on a random basis.

If Crane believes that it is in the best interest of certain clients, we may effect an internal cross transaction of securities between clients. Crane acknowledges its duty to seek best execution for its clients and acknowledges that the use of internal cross transactions may raise potential conflicts of interest under the antifraud provisions of the Investment Advisers Act of 1940, Section 206(3) and 206(4). Therefore, internal cross transactions will only be considered when the need to liquidate securities results in an availability of securities that are appropriate for another account, especially if the security in question is relatively illiquid. Crane prohibits its portfolio managers from determining the need to purchase securities as the sole reason for identifying sale candidates. Crane also prohibits the need to sell an issue as the sole reason for purchase of such by another client. If Crane does affect an internal cross transaction, Crane will not act as principal or agent through a broker/dealer or otherwise receive commission or any type of compensation for affecting internal cross transactions. Crane's sole intent for doing an internal cross transaction will be to act in the best interest of each client in accordance with their respective investment objectives. Prior to execution, if it seems likely that Crane can effect a cross trade at a better price for its clients than the custodial broker's best quoted bid and ask, it will do so. The executing broker will earn a commission and/or spread on the trade.

Item 12. Brokerage Practices (continued)

From time to time, Crane will participate in follow-on offerings (also known as “secondaries”) that, while underwritten and issued similarly to IPOs, are generally priced in line with the prevailing market price. If Crane determines that such an investment is appropriate for certain clients as a long-term investment based on the criteria discussed in Item 8 above, we will attempt to obtain for those clients an allocation of shares from the underwriting broker. To the extent that we are successful in doing so, those shares will be allocated to client accounts on a prorata basis, or randomly if (as noted above) the partial fill is a small portion of the entire order.

Directed Brokerage

In circumstances where a client directs Crane to execute all or a portion of client transactions through a specific broker (aka “Directed Brokerage”), the client should understand that: (1) Crane does not negotiate specific brokerage commission rates with the broker on client’s behalf, or seek better execution services or prices from other broker/dealers and, as a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case, and (2) transactions for that account generally will be effected independently unless Crane decides to purchase or sell the same security for several clients at approximately the same time (block trade), in which case Crane may include such client’s transaction with that of other clients for execution by the same broker. However, if transactions are not able to be traded as a block trade, Crane may have to enter the transactions for the client’s account after orders for other clients, with the result that market movements may work against the client.

In addition, in client directed brokerage arrangements a conflict could arise between the client’s interest in receiving best execution with respect to transactions effected for the account and Crane’s interest in receiving future client referrals from the broker. Therefore, prior to directing Crane to use a specific broker-dealer, a client should consider whether, under that restriction, execution, clearance and settlement capabilities, commission expenses and whatever amount is allocated to custodian fees, if applicable, would be comparable to those otherwise obtainable.

All of these facts are disclosed to a client and agreed to in writing by that client prior to the onset of the directed-broker relationship. A client must also notify Crane in writing if the client decides to terminate the directed brokerage arrangement.

Soft-Dollar Arrangements

We believe that the research provided by some brokers is of greater value than that provided by others. One criterion we use when we select brokers to execute transactions for our clients’ portfolios is what we deem to be the value of the broker’s research.

We have an agreement or understanding with TD Ameritrade Institutional, Inc. (TDA) and The Interstate Group (brokerage firms), whereby we direct a specific amount of commissions generated from transactions in our clients’ portfolios and Proprietary Accounts to them in payment for research services provided by third parties. These commissions are referred to as “soft dollars.” We currently do not receive any research services that are paid for directly by soft dollars. Instead, Crane receives third-party research services that are paid for by TDA under their “Additional Services” program. Since commissions from trades done at TDA for client accounts make up the bulk of TDA’s profitability

Item 12. Brokerage Practices (continued)

from our relationship with them, Crane believes that “Additional Services” is in spirit a soft-dollar relationship and therefore, the same conflicts of interest apply. Crane believes that the amount of commissions generated by us exceeds the value of the brokerage and research services provided. If “Additional Services” were for some reason altered or terminated by TDA, Crane would revert to a direct soft-dollar arrangement and/or withdraw from present arrangements.

The Additional Services include research services provided by third parties; specifically, services from Thomson Reuters, a provider of on-line earnings information and published research; and Bloomberg, L.P., a provider of on-line quotations, news articles, and other market data. Receiving real-time market data through Bloomberg, L.P. also requires that a monthly fee be paid to NYSE Group. The annual charges from these vendors for providing these services are \$53,823. TDA provides the Additional Services to Crane in its sole discretion and at its own expense, and Crane does not pay any fees to TDA for the Additional Services. Crane and TDA have entered into a separate agreement (“Additional Services Addendum”) to govern the terms of the provision of the Additional Services. There is no direct link between Crane’s participation in the program and the investment advice it gives to its clients.

Because many of the services or products could be considered to provide a benefit to Crane, and because the “soft dollars” or commissions generated under “Additional Services” used to acquire them are client assets, Crane could be considered to have a conflict of interest in allocating client brokerage business. It could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation the firm might otherwise be able to negotiate. In addition, Crane could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

In providing Additional Services to Crane, TDA most likely considers the amount and profitability to TDA of the assets in, and trades placed for, Crane’s client accounts maintained with TDA. TDA has the right to terminate the Additional Services Addendum with Crane, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TDA, Crane has an incentive to recommend to its clients that the assets under management by Crane be held in custody with TDA, and to place transactions for client accounts with TDA. Crane’s receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

Crane's use of soft dollars and “Additional Services” is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a “safe harbor” for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), Crane will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to TDA or Interstate Group is reasonable in relation to the value of all the brokerage and research products and services provided by those firms. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client,

Item 12. Brokerage Practices (continued)

but also the value of those services and products in our performance of our overall responsibilities to all of our clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.

As a result, a client may pay a larger commission on a particular trade than another executing broker might have charged for doing the same trade.

We may use brokerage commissions generated from some, but not all, clients' portfolios to pay for the third-party research services provided to us by brokers. However, we may use these research services to service all of our clients' portfolios and not just the client portfolios whose transactions paid for the research services. Moreover, it is possible that the clients' portfolios whose transactions generate brokerage commissions that are used to pay some of our research obligations may not benefit in any way from this research.

A broker-dealer through which we may wish to use soft dollars may establish "credits" arising out of brokerage business done in the past, which may be used to pay specified expenses. In other cases, a broker-dealer may provide or pay for the service or product and suggest a level of future business that would fully compensate it. The actual level of transactional business we do with a particular broker-dealer during any period may be less than such a suggested level, but may exceed that level and may generate unused soft dollar "credits." We do not exclude a broker-dealer from receiving business simply because the broker-dealer has not been identified as providing soft dollar research products and services, although we may not be willing to pay the same commission to such broker-dealer as we would have paid had the broker-dealer provided such products and services.

Our relationships with the brokerage firms that provide soft-dollar services to us influence our judgment in allocating brokerage business and create conflicts of interest in allocating brokerage business between firms that provide soft-dollar services and firms that do not. In that Crane uses soft dollars (as described above), we receive economic benefits as a firm from the fact that some or all of the services received would otherwise be paid for by Crane with our own corporate funds.

Item 13. Review of Accounts

All accounts are reviewed by the Chief Investment Officer whose primary function is the management and supervision of client portfolios. In this process, he is assisted by the Portfolio Manager. Securities held in client accounts are constantly being monitored and reviewed and while those securities are intended to be held for the long term, it is possible that the Chief Investment Officer might decide to take action with respect to a certain security at any time. Review procedures include:

- At the time of sale of a security, accounts holding that issue are reviewed;
- At the time of planning the purchase of a security, accounts are reviewed from the standpoint of the suitability of that issue for each account; and
- At what are viewed to be critical junctures of the stock market, accounts are reviewed from the standpoint of increasing or decreasing market exposure.

Printed reports disclosing portfolio holdings, costs, and current values are mailed to clients on a quarterly basis. In addition, reports will be prepared at any time upon request by a client. Clients also receive trade confirmations (typically the day after a trade is executed) and brokerage/custodial statements (monthly), either electronically or in printed form, unless instructions are provided by a client to prevent receipt. In addition, clients have the ability to establish online access to their custodial accounts and retrieve summary reports from their accounts' custodians at any time.

Item 14. Client Referrals and Other Compensation

At present, Crane does not compensate any third parties for client referrals. However, should it become appropriate to do so, the practice would be disclosed in writing to the client, in compliance with the requirements of Rule 206-4-3 of the Investment Adviser's Act of 1940, as amended, to the extent required by law.

Item 15. Custody

Crane does not have custody of client assets. Client assets are held in accounts in the client's name, at a brokerage firm or bank trust department that serves as their qualified third-party custodian. A client typically will have the ability to view their accounts online at the custodian's website, and should receive statements from their custodian at least monthly. Crane is not affiliated with any firm that it recommends to clients as a third party custodian. While clients can choose their own custodian, Crane typically recommends that their account(s) be held at TD Ameritrade Institutional, Inc. (TDA), a brokerage firm. Crane urges its clients to review their official custodial statements carefully and compare them to the account statements that we provide.

Most clients custody their accounts at TDA. Crane receives economic benefits through its participation in the TDA institutional program. These benefits include: receipt of duplicate client statements and confirmations; research-related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading, which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts; the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; and discounts on compliance, marketing, research, technology, and practice-management products or services provided to Crane by third party vendors. TDA may also have paid for business consulting and professional services received by Crane or its related persons, and may also pay expenses (including travel, lodging, meals and entertainment expenses) for Crane's personnel to attend conferences or meetings relating to the program or to TDA's advisor custody and brokerage services generally. Some of the products and services made available by TDA through the program may benefit Crane, but may not benefit its client accounts. These products or services may assist Crane in managing and administering client accounts, including accounts not maintained at TDA. Other services made available by TDA are intended to help Crane manage and further develop its business enterprise. As part of its fiduciary duties to clients, Crane endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Crane or its related persons in and of itself creates a conflict of interest and may indirectly influence Crane's choice of TDA for custody and brokerage services.

Item 16. Investment Discretion

Crane manages all accounts on a fully discretionary basis, which allows us to buy and sell as we determine without prior consultation with the client. Crane receives discretionary authority at the outset of a client relationship, granted by the client upon execution of our investment management agreement. We use our discretion to build portfolios that are consistent with a client's objectives. However, a client may at any time direct us to make an investment of his or her own choosing, or avoid a particular company or industry sector for any reason.

Item 17. Voting Client Securities

Crane typically assumes responsibility for voting the securities held in client accounts. Our Proxy Voting Policy is sent annually to clients, as follows:

Proxy Voting Policy

To the extent authorized by its clients, it is Crane Asset Management's ("Crane") policy to vote proxies on behalf of portfolio securities held by Crane's client accounts in the best interest of the client. Crane's proxy voting principles are summarized below. Crane Asset Management will generally vote --

In favor of:

- Directors resulting in an independent majority board
- Independence of key board committees
- Declassifying existing boards
- Measures intended to increase long-term stock ownership by executives and employees, including ESOPs, holding period requirements, and restricted stock grants instead of options
- Proposals to subject shareholder rights plans to a shareholder vote
- Proposals that lower barriers to shareholder action

Against:

- Efforts to adopt classified board structures
- Separate classes of stock with disparate voting rights
- Proposed auditors where non-audit fees make up more than 50% of total fees paid by the company to the audit firm
- Equity-based compensation plans if annual option grants have exceeded 2% of shares outstanding
- Equity-based compensation plans where total potential dilution exceeds 15% of shares outstanding
- Equity-based compensation plans that give the company the ability to (1) re-price underwater options; (2) issue options with an exercise price below the stock's current price; (3) issue reload options; or (4) issue options with an automatic share replenishment ("evergreen") feature.

On a case-by-case basis:

- Audit firm that has a substantial non-audit relationship with the company
- Shareholder proposals

Item 17. Voting Client Securities (continued)

Crane may occasionally be subject to conflicts of interest in the voting of proxies due to business or personal relationships it maintains with persons having an interest in the outcome of certain votes. For example, we may provide investment management or related services to accounts owned or controlled by companies whose management is soliciting proxies. Crane and/or its employees may also occasionally have business or personal relationships with other proponents of proxy proposals, participants in proxy contests, corporate directors or candidates for directorships.

Conflicts of interest will be handled in various ways depending on the type and materiality. This includes:

- Where the proxy voting guidelines outline our voting position, as either for or against such proxy proposal, voting will be in accordance with our proxy voting guidelines.
- Where the proxy voting guidelines outline our position to be determined on a case-by-case basis for such proxy proposal, or such proposal is not listed in the proxy voting guidelines, then we will select one of the two following methods depending on the facts and circumstances of each situation and the requirements of applicable law:
- Voting the proxy in accordance with the voting recommendation of a non-affiliated third party vendor.
- Voting the proxy pursuant to client direction.

At any time, a client may obtain from us a complete copy of our written proxy voting policies and procedures and/or information on how we voted with respect to any of the securities held in his or her portfolio.

Class Action Filings

A securities “class action” lawsuit is a civil suit brought by one or more individuals (“Plaintiffs”) on behalf of themselves and others who have the same grievance against the issuer of a certain security. When a class action is filed, a written notice of filing and/or settlement is prepared (the “Notice”), which outlines the reasons for the lawsuit, the parameters for qualification as a member of the class and certain legal rights that need to be considered before becoming a member of the class (i.e. participating in the settlement). In addition, the Notice will contain instructions issued by the court to broker/dealers and/or other nominees (e.g. custodians) who receive the Notice and who hold the security on behalf of the owner/beneficiary, to either (1) provide the Claims Administrator (usually the attorney for the Plaintiffs) with the name and address of each such owner/beneficiary so the Claims Administrator can send the Notice directly to such owner/beneficiary, or (2) request additional copies of the Notice and send the Notice directly to the owner/beneficiary.

As described above, the broker/dealer, nominee or Claims Administrator is responsible for sending the Notice to the owner/beneficiary of the security and Crane does not hold securities on behalf of its clients. In some cases, in addition to the owner/beneficiary, Crane may also receive notification of a class action. Where Crane receives notification either from the client or the client’s custodian that a client may be entitled to participate in a class action, Crane will determine if it is in the best interest of the client to

Class Action Filings (continued)

participate and file a proof of claim in the class action. Crane will not be responsible for failing to file a claim on behalf of a client, where Crane did not receive notification of the class action from either the client or the client's custodian.

Item 18. Financial Information

Registered investment advisers are required to provide you with certain financial information or disclosures about their financial condition, under certain conditions that do not apply to Crane. In addition, we have no financial commitment that impairs our ability to meet contractual and fiduciary commitment to clients, and have not been the subject of a bankruptcy proceeding.