

## Item 1      Cover Page

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Akros Capital, LLC  
Form ADV Part 2A  
230 Park Avenue, 10<sup>th</sup> Floor  
New York, NY 10169  
(212) 499-2948  
[www.akroscapital.com](http://www.akroscapital.com)  
March 21, 2011

This brochure provides information about the qualifications and business practices of Akros Capital, LLC (“Akros”). If you have any questions about the contents of this brochure, please contact us at (212) 499-2948 or [info@akroscapital.com](mailto:info@akroscapital.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.

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

Any reference to the private funds within this ADV is for informational purposes only, and is intended to address legally required disclosures about our business practices and conflicts associated with managing private funds. Only qualified investors are able to invest in these funds, and they should read the fund’s Confidential Offering Memorandum prior to doing so. No reference within this ADV should be viewed as an offer to sell or an offer to buy an interest in private funds.

## **Item 2      Material Changes**

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This section is not required to be completed for this initial filing.

### **Item 3      Table of Contents**

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## **Item 4      Advisory Business**

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Akros is an investment management firm offering discretionary portfolio management services to individuals and institutions, based upon the individual needs and objectives of each client. As described more fully in Item 7, Akros serves as an adviser to a limited partnership (the “Hedge Fund”) and individual separately managed accounts (the “Multi-Cap Equity Portfolio” and “Large-Cap Equity Portfolio”). Akros also serves as sub-adviser to an open-end mutual fund, which is a separate series of Quaker Investment Trust, commonly known as the Quaker Funds (the “Mutual Fund”).

When managing portfolios, we will consider client-imposed restrictions on investing in securities or specific types of securities, as directed by clients and agreed to by us.

Akros was founded in 2003 by Brady T. Lipp, the firm’s managing principal and CEO. Akros is majority owned by our affiliate, Akros Capital, Inc. which is owned by Akros employees. Another affiliate, Akros Investors, LLC, comprised primarily of outside investors, owns a minority share of Akros.

### Assets Under Management as of December 31, 2010

Discretionary: \$19,720,675

Non-Discretionary: \$0

## **Item 5      Fees and Compensation**

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### **Hedge Fund**

We collect asset-based and performance-based fees as adviser to the Hedge Fund, as fully described in the Hedge Fund’s Confidential Offering Memorandum. Investors in the Hedge Fund are encouraged to consult the Confidential Offering Memorandum as the authoritative source for disclosure regarding fees paid by the Hedge Fund. We generally base fees upon the market value determined by an independent pricing service as of the last day of the prior quarter.

We may negotiate fees paid by investors based upon factors determined by us to be material. Any single investor in the Hedge Fund may pay more or less than other investors in the Hedge Fund, based on previously negotiated fee arrangements. See Item 6 for more information on performance-base fees.

### **Mutual Fund**

We collect asset-based fees for services rendered to the Mutual Fund. Fees are paid to us monthly in arrears and accrued daily based on a percentage of the portfolio’s average daily net assets. Fees are separately negotiated with the Mutual Fund’s Board of Trustees.

The Mutual Fund’s designated accounting agent is responsible to utilize a third party pricing service, as approved by the Board, to value securities for fee calculation and investment performance purposes.

**Separately Managed Accounts**

Multi-Cap Equity Large-Cap Equity Portfolios pay an asset-based fee based on the following standard scale:

Assets	Multi-Cap Equity	Large-Cap Equity
First \$10 Million	0.85%	0.75%
Next \$15 Million	0.75%	0.65%
Next \$25 Million	0.65%	0.55%
Next \$25 Million	0.55%	0.45%
Next \$25 Million	0.45%	0.35%
Over \$100 Million	0.35%	0.25%

We bill fees for management services in arrears on a calendar-quarter basis and at a rate of one-quarter of the annual fee, unless otherwise negotiated. We generally base fees on the market value determined by an independent pricing service as of the last day of the prior quarter. We pro-rate the fee for any period that is less than a full quarter and we make adjustments to partial contributions or withdrawals by a client during any billing period. At the client's direction, we will either deduct fees directly from the client's account or bill the client directly.

We may negotiate this fee schedule based upon factors determined by us to be material. We may also negotiate the fee structure utilized, including agreeing to performance-based fees or a fixed fee arrangement in limited circumstances. The investment advisory agreement between Akros and the client dictates how fees are subject to change, generally upon 30 prior day's written notice.

**General Fee Disclosures**

We may use outside registered investment companies and exchange-traded funds ("ETFs") when managing client accounts. Clients are responsible for shareholder fees imbedded within the share price of these securities, and those fees are in addition to our fees described above. Please see Item 12 for additional information on our brokerage practices.

We experience an inherent conflict as a result of the different types of clients serviced and the fees paid by those clients. Specifically, Akros has an incentive to favor those clients paying the highest fees in order to earn the highest possible compensation. In practice, we believe this conflict is controlled, as: 1) we service a relatively small number of accounts, and each account receives individual attention from us; and 2) we maintain policies and procedures designed to ensure clients are treated fairly over time, as more fully described in Item 12.

**Portfolio Valuation**

Where we are responsible to price a client's portfolio for fee billing or investment performance calculation purposes, we generally use pricing information provided by an independent pricing service (the "Primary Pricing Source").

At times, the Primary Pricing Source is unable to obtain a price (a private placement or other illiquid security, for example), Akros' portfolio managers strongly believe the Primary Pricing Source is not pricing a security fairly or a security has halted trading. Under these circumstances, Akros' Valuation Committee (the "Committee"), under the direction of Brady Lipp, determines a fair value for that security. When determining a fair-value for a security, the Committee will attempt to obtain a quote from at least one independent pricing source, preferably two or more. The Committee will make a determination whether these quotes represent fair value. If the Committee is unable to obtain quotes or determines the quotes received do not represent a fair-value price, the Committee will establish a fair valued price for the security based upon, among any other considerations deemed appropriate:

- The Committee's knowledge of the security, including the liquid or illiquid nature of the security and the financial condition of the company (via review of financial statements, offering memorandums and other relevant documentation);
- Current market conditions;
- Information solicited from outside sources, including company management and brokers;
- Where and how actual shares are held; and
- Comparative marketplace values placed on similar companies.

As a practical matter, no single factor or approach is used by the Committee in every case of determining a fair value for a security, as each individual case is unique in nature. The Committee is authorized to employ any approach deemed appropriate, including the use of standard pricing practices established by the Committee. For example, while the Committee often values equity private placements at cost until developments occur that cause the Committee to believe these equity private placements should be valued otherwise, the Committee is under no obligation to price all equity private placements at cost. Likewise, while the Committee often carries fixed-income private placements at cost plus accrued interest unless the Committee believes the principal value is impaired, the Committee may deviate from this practice as deemed appropriate.

The Committee's objective regarding fair valuation is to determine a price we believe we could reasonably receive in a sale between market participants at the specific measurement date without forced liquidation. The Committee regularly reviews securities priced via fair valuation.

We encounter a clear conflict when fair valuing securities, as we have an incentive to value these securities higher in an effort to generate greater fees and higher investment returns. We have controls in place to mitigate this conflict, including: 1) responsibilities of the Committee described above; and 2) policies and procedures designed to provide reasonable assurance securities are valued properly.

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

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We offer performance-based fees in connection with our Hedge Fund, as more fully described within the Hedge Fund's Confidential Offering Memorandum. In addition, the Mutual Fund and

Hedge Fund are managed following similar investment mandates, which results in these accounts often investing in the same securities, known as “side-by-side” management.

Performance-based fees may create an incentive for us to invest more aggressively than in an account without a performance-based fee, such as the Mutual Fund in side-by-side management instances, in an effort to increase our compensation. To address this inherent conflict, we maintain policies and procedures designed to ensure all accounts are treated fairly, and to ensure accounts with performance-based fees are not favored. Akros management also routinely reviews all accounts to confirm accounts with performance-based fees are not favored. In addition, we review for appropriateness each individual instance where securities are purchased side-by-side in accounts with and without performance-based fees.

## **Item 7      Types of Clients**

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Akros currently provides investment management services to:

- Institutional
- Individuals
- High-net worth
- Trusts
- Charitable organizations
- Mutual funds
- Private funds
- Friends/family accounts

All clients are required to enter into an investment advisory agreement with us prior to us providing investment management services. For separately managed accounts, we generally require a minimum account size of \$500,000 and a minimum annual fee of \$5,000. Our minimum Hedge Fund investor account size is addressed within the Confidential Offering Memorandum. All such minimums may be waived at our discretion. Among our reasons to waive such minimums include: the client is a family member or close personal friend; the client is a friend of another client; and our expectation to manage additional client assets in the future.

We manage accounts for family members and friends, who receive standard client reporting, are not involved in our day-to-day operations and have no knowledge of our trading or investment activities. Currently none of our family or friends accounts are given a reduction in fees but we may do so in the future. However, depending upon their relationship to our employees, some of these family members may receive information about the firm that other clients do not receive or may receive it sooner than other clients would receive it. We maintain trade allocation and account valuation (including fair valuation) policies and procedures designed to address these potential conflicts of interest.

Clients or we may terminate the investment advisory agreement at any time by giving notice as required by the agreement. Our standard investment advisory agreement requires 90 days written notice. Termination of an advisory agreement by you will not affect transactions we

have initiated on the client's behalf prior to the effective date of such termination, although in practice we attempt to cancel any such open transactions.

Akros employees and owners may have business relationships and dealings with a client which extend beyond our role as investment advisor over the client's assets. These business dealings may include mutual participation in an investment-related limited liability company with the sole objective of making investments in real estate or other physical assets generally not considered by Akros in its role as investment adviser over client accounts. Such relationships may present a conflict, as we may have an incentive to treat these clients more favorably than others. We do not believe these outside business relationships with clients impact our core business practice to treat all clients fairly, as we maintain policies and procedures designed to provide reasonable assurance that all client accounts are treated fairly.

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

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### **Overview**

We follow a fundamental analysis method of researching individual investment opportunities to include within our clients' portfolios. Except as stated within client investment guidelines, we face no restrictions in the types of instruments we purchase, the strategies we follow or the markets in which we invest on behalf of our clients. We may invest for the long-term (securities held greater than one year) or short-term (securities held less than a year). In addition, we may engage in speculative trading, holding securities for less than 30 days. We also engage in short selling, margin transactions, and option strategies.

We may invest in all types of securities, including equities, fixed income instruments, options, derivatives, partnerships, ETFs, ADRs, international securities (denominated in USD only), currencies (including foreign currencies) and illiquid (including non-public securities in private companies).

Akros does not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products.

We strive to not take contrary positions within client accounts. However, we consider legitimate portfolio-management strategies that result in contrary positions (such as shorting against the box and the active use of long or short futures and relatively liquid ETFs) to be acceptable practices.

The Akros Multi-Cap Equity Portfolio and Akros Large-Cap Equity Portfolio are primarily driven by a routinely applied quantitative factor-modeling system, which ranks stocks using a proprietary order and weighting system with factors such as discounted cash flow and dividends, price to earnings ratios, returns on equity, profit margins, price to sales ratios and price momentum. However, from time to time, the Portfolio Manager may, on a discretionary basis, make adjustments to the portfolios as a risk-control measure. We periodically rebalance these portfolios, and adjustments to the portfolios become more frequent as securities held reach what the Portfolio Manager believes to be their full value, as well as when other potential buy candidates are identified.



Our Portfolio Managers at times use the quantitative factor-modeling system as a tool in the selection of stocks for other Akros-managed accounts including the Hedge Fund and the Mutual Fund – either on a long or short basis.

### **Strategies Overview**

We offer the following core strategies.

#### **Large-Cap Equity Strategy**

This strategy invests in a diversified group of mid and large-cap stocks, and seeks attractively priced stocks with positive price momentum. The strategy employs a disciplined investment process based on quantitative factors and enhanced with fundamental and technical research.

#### **Multi-Cap Equity Strategy**

This strategy invests in a diversified group of larger and smaller-cap stocks, and seeks attractively priced stocks with positive price momentum. The strategy employs a disciplined investment process based on quantitative factors and enhanced with fundamental and technical research.

Both the Large-Cap and Multi-Cap Equity Strategies invest in equity securities, which have the potential to fluctuate in price subject to market conditions outside of our control.

#### **Absolute Return Strategy**

This strategy seeks positive returns in both up and down markets. To achieve this, we engage in a variety of investment activities, each of which involves unique risks:

<b>Investment Activity</b>	<b>Summary Risk</b>
Engage in short selling	Short selling comes with an inherent risk of unlimited loss relative to limited gains.
Engage in derivatives activities	Derivatives involve the potential for exponential losses relative to the initial investment, and require a specific level of investment expertise.
Invest in small capitalization companies	This activity involves risks such as limited availability and increased volatility of the stocks.
Invest in foreign securities	Foreign securities' inherent risks include: 1) potentially greater volatility' 2) political, economic and currency risks which function separately from domestic securities; and 3) differences in accounting methods.
Invest in high-yield, lower-rated securities	These securities involve greater risk of loss to principal and interest than high-rated securities.

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Invest in asset-backed and mortgage-backed securities	These asset classes include specific risks such as credit risk, prepayment risk, possible illiquidity and default, and increased susceptibility to adverse economic conditions.
Invest in private placement offerings	These investments are often made in small, emerging companies with an inherently higher risk of shutting down than more established companies. Our terms for investing in these private placement offerings often result in significant restrictions in our ability to liquidate the holdings.
The strategy is often run as a non-diversified portfolio	Each security's impact on a non-diversified portfolio is greater (positive and negative) than within a fully diversified portfolio.

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**Item 9      Disciplinary Information**

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We have no disciplinary events to disclose.

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

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Akros Partners, LLC is the general partner to the Hedge Fund for which Akros serves as adviser. By written agreement, Akros Partners, LLC has delegated its management duties of the Hedge Fund to Akros.

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

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We maintain a formal Code of Ethics ("Code") that outlines the standards of conduct we expect our employees to follow. Our fiduciary duty compels our employees to act with the utmost integrity. This is the core principle underlying the Code and our related Personal Trading Policy. As a result, we have established core principles of conduct for our employees. These standards are consistent with our core belief that ethical conduct is premised on the fundamental principles of openness, integrity, honesty and trust. In connection with these principles of conduct, we generally limit our employees' ability to give and receive gifts, other than instances where an Akros employee has reason to believe there is a legitimate business purpose supporting the gift of reasonable value. These gift limitations generally do not apply to family or friends who are clients of Akros employees, where gifts are provided in the normal course of personal contact with the employee's family and friends.

Our employees are also prohibited from making political or charitable contributions for the purpose of obtaining or retaining advisory contracts with government entities or charitable

foundations. In addition, our employees are prohibited from considering Akros' current or anticipated business relationships as a factor in soliciting political or charitable contributions. Any employee wishing to serve as director for an outside company (public or private) or wishing to engage in outside business activities must first seek approval from Akros' Chief Compliance Officer ("CCO").

Our Personal Trading Policy governs each of our employees' personal securities trading activity. Employees are permitted to buy and sell securities that we also recommend to clients. In fact, our employees are permitted to hold the same securities which are held in client accounts. Our Personal Trading Policy, along with the controls identified within this disclosure document, are designed to address the conflicts arising from allowing our employees to invest in the same securities as clients.

Employees who have access to non-public information regarding any client purchase or sale of securities, portfolio holdings or recommendations are required to report personal securities transactions and holdings to the CCO. These employees are generally prohibited from purchasing or selling securities on the same day if we have a pending buy or sell order in that same security or we are considering purchasing or selling that same security. However, employees submitting a request to place a market order may be able to trade ahead of an account waiting to purchase or sell a security at our pre-determined execution price (due to our strategic use of limit orders).

We do allow employees to purchase or sell securities on the same day we purchased or sold the same security for our client accounts, but only after the security has been fully allocated to client accounts. With advanced approval by the CCO, employees may purchase or sell shares in private placement offerings and investment public offerings which are simultaneously being purchased or sold in client accounts. These employees are typically provided a window of 30 days in which to place the trade, during which time the CCO monitors the status of the open trade against firm trading, or anticipated trading activity.

Advanced approval is not required for the purchase or sale of certain exempt transactions. However, employees who have access to non-public information regarding any client purchase or sale of securities are required to report purchases and sales of affiliated mutual funds to us on a quarterly basis.

All of our employees, including the firm's CCO, may and do invest in the firm's products, including the Hedge Fund and Mutual Fund. Such investments are monitored by us, as outlined above.

A copy of our Code is available upon request.

## **Item 12      Brokerage Practices**

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### **Selection of Brokers and Best Execution**

We determine in most cases which securities are bought or sold, the broker-dealer through which the securities are to be traded and the commission rates at which transactions are effected. We

also have full discretion to engage other investment advisers to manage any portion of client assets.

Consistent with our fiduciary obligations, we seek best execution in all transactions, which we define as placing trades in such a manner that the client's total proceeds or cost for each transaction is the most favorable under the circumstances in which the trades are placed. We consider various factors in selecting a broker, including quality of execution, including ability to locate liquidity; quality of research; service and availability of the broker's trading desk; responsiveness in correcting trade problems; and acceptable record keeping, administrative and settlement functions.

Clients may direct us (subject to our approval and certain conditions that may be imposed by us) to effect portfolio transactions through particular brokers or dealers. We will generally not direct brokerage on a client's behalf unless specifically directed by the client in writing within the client investment advisory agreement or a separate letter of agreement. We will treat the custody of client assets by a broker-dealer as a direction by the client to execute all transactions through that broker dealer.

Clients who choose to direct us to use a particular broker or dealer may forgo any benefit from savings on execution costs that we may obtain for other clients, such as negotiating volume discounts on bunched orders. These clients may also not receive the same price or commission paid by other clients who utilize different brokers. In addition, in accordance with our Trade Aggregation and Allocation Policy, trades in accounts where the client directs brokerage are generally placed after fully discretionary trades, including accounts included on TD AMERITRADE's Institutional platform ("TD AMERITRADE").

We may recommend clients use TD AMERITRADE for custody and brokerage services. For these clients, we generally direct TD AMERITRADE to execute trades, although we may recommend clients direct certain transactions to other qualified broker/dealers as executing broker in an effort to obtain quality execution. We believe TD AMERITRADE offers clients a compelling combination of cost and services. We have no affiliation with and receive no compensation from TD AMERITRADE.

#### **Soft Dollars and Commission Arrangements**

We may pay a broker a greater commission than what another broker might have charged for effecting the same transaction, in recognition of the value of research services provided by the broker. These arrangements, generally known as "soft dollar arrangements", are not used solely for the accounts that generate the brokerage commission, but may be used in servicing any or all of Akros' accounts. Research services we receive from broker-dealers are supplemental to our research effort, and we may allocate brokerage for such research services that could otherwise be available for cash. Therefore, we are relieved from paying certain expenses we might otherwise be required to pay. Research services are received primarily in the form of written reports and publications, computer-generated services, and telephone conference calls and conversations. In addition to general research provided by broker-dealers, we currently receive the following third party research services through soft dollar payments:

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- Columbine Capital Services: Electronic statistical data on equity securities
- Ned Davis: General investment research
- Ford Equity Research: Electronic statistical data on equity securities
- Insider Score, LLC: Ranking and analysis of buying and selling of major company insiders
- Dow Theory Letters: Newsletter with stock recommendations and analysis and electronic statistical data on equity securities.
- BCA Research Inc.: Newsletter focusing on market analysis and forecasts of global markets
- High Tech Strategist: Newsletter providing research on technology companies
- InvesTech Research: Newsletter focusing on monetary and technical analysis on markets and equity securities
- The Wellington Letter: Newsletter focusing on market analysis and forecasts of global markets
- SNL Financial – Thrift Investor: Provides financial market analysis and forecasts of global markets, business conditions, and investment prospects as well as specific stock recommendations.
- Bloomberg Anywhere: Provides market data and quantitative capabilities.
- Credit Suisse HOLT System: Provides market data and quantitative capabilities.

We perform a good faith analysis to determine whether soft dollar eligible services are mixed-use in nature (a mixed-use service is not fully used for soft dollar eligible purposes). As a general rule, we will pay 10% of all soft dollar eligible services with hard dollars in the event we determine to use information generated by the service for administrative or marketing purposes. We consider this 10% allocation to be a conservative allocation for such administrative or marketing purposes. We will pay more than 10% of the mixed use service's cost with hard dollars if we determine more than 10% of the service's use is for administrative or marketing purposes.

Our authority to select brokers presents an inherent conflict, as we may face an incentive to choose brokers who provide us with research services. To mitigate this conflict, we maintain policies and procedures designed to ensure we select brokers based on our fiduciary obligations, and not based on this conflict. Our Soft Dollar Committee also routinely reviews allocation of commissions to brokers.

We only generate commissions to pay for our third-party research services with approved soft dollar brokers. Our current third party soft dollar broker charges a trade execution rate of \$0.0065, subject to a \$6.50 per account and allocation ticket charge. Of this commission rate, a portion is allocated to pay for our third-party research services obligations, as outlined below:

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Price of Equity Security	Soft Dollar Commission	Total Commission per Share
up to \$4.99	\$0.0035	\$.01
\$5.00 to \$9.99	\$0.0135	\$.02
\$10.00 to \$14.99	\$0.0235	\$.03
\$15.00 to \$19.99	\$0.0335	\$.04
\$20.00 and up	\$0.0435	\$.05

Trades which we initiate as a result of a stock recommendation by a broker to the portfolio management team are often executed with that same broker. Commission rates paid range between \$0.01 and \$0.05 per share, and commissions above \$0.01 per share are considered compensation for the recommendation, applying the following schedule:

Price of Equity Security	Additional Commission per Share	Total Commission per Share
\$0 - \$9.99	\$0.01	\$0.02
\$10.00 - \$14.99	\$0.02	\$0.03
\$15.00 - \$19.99	\$0.03	\$0.04
\$20.00 and up	\$0.04	\$0.05

We strive to not cause equity trades to incur greater than \$.05 per share in commission charges.

Commission rates for trades not used to pay for soft-dollar arrangements and not initiated as a result of a stock recommendation by a broker are: \$.02 per share on stocks with a market price up to \$19.99 per share; and \$.03 per share on stocks with a market price equal to or greater than \$20.00 per share.

### **Allocation of Investment Opportunities**

We strive to make investment opportunities available to all clients: 1) that are eligible to participate; and 2) where such investment opportunities are deemed to be appropriate for the specific client. We maintain a policy to allocate investment opportunities without regard to factors that solely benefit us, including but not limited to client-specific financial arrangements (such as the Incentive Allocation related to Akros' management of the Hedge Fund noted within Item 6) and other Akros marketing initiatives, including encouraging growth within the Mutual Fund. Our ability to allocate investment opportunities presents an inherent conflict, as we may face an incentive to favor certain accounts over others. To mitigate this conflict, we maintain policies and procedures designed to ensure clients are treated fairly, as summarized within this disclosure document.

We also consider the proprietary nature of the Hedge Fund in allocating investment opportunities. Specifically, we allocate investment opportunities equally to all eligible accounts where the investment opportunity, in our judgment, is not limited in nature – i.e., where we believe there is sufficient liquidity and supply to meet demand across all eligible accounts. However, if the Hedge Fund is held by more than 25% of Akros insiders and when Akros we believe the investment opportunity is limited in nature, we shall allocate the investment opportunity to the Hedge Fund only after the investment opportunity has been fully allocated to other eligible accounts. We have made a good-faith determination that the Hedge Fund should be treated as a proprietary account when shares of the Hedge Fund are held by more than 25% of Akros insiders.

We treat investments in Initial Public Offerings (“IPOs”) in the same manner as any other security. We generally do not recommend IPOs to accounts managed in the Akros Multi-Cap Equity Portfolio and Akros Large-Cap Equity Portfolio styles as these portfolios are primarily driven by a quantitative approach.

#### **Trade Aggregation and Allocation**

We attempt to trade as a firm – to trade in such a manner that our clients and accounts are not competing against one another in the marketplace. At an Akros trader’s discretion, client trades may be bunched in a single order (a “block”) in an effort to obtain best execution at the best security price available.

Client trades in which we have full discretion in choosing brokers (“free” accounts) and client trades in accounts included on TD AMERITRADE’s platform are placed before trades in directed-brokerage client accounts.

If a block order is filled (full or partial fill) at several prices through multiple trades, we will calculate an average price for all trades executed, and all participants in the block trade receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price.

We allocate trades to underlying client accounts after completion of each trade, but no later than by the end of the day. We generally allocate partial fills to client accounts on a *pro-rata* basis subject to rounding. However, we may allocate partial fills in a different manner in an effort to limit transaction costs imposed by an account’s custodian or if an account’s portfolio requires rebalancing.

In all cases, we endeavor to ensure trade allocations are fair to its clients. While we consistently apply this policy, we may deviate from this policy if we determine the standard method of aggregating or allocating trades would result in unfair or inequitable treatment to some or all of our clients.

#### **Cross Transactions**

We maintain a cross transaction policy which addresses a purchase and sale transaction between

two affiliated accounts. We expect such transactions to occur infrequently; however, we may execute cross transactions when we believe the cross transaction is in the best interest of both clients involved. Our CCO reviews and approves of any cross transaction prior to execution.

### **Trade-Error Correction**

It is our policy for our clients to be made whole following a trade or administrative error. Whenever possible, we reallocate an erroneous trade into a proprietary trade error account as soon as practical following the trade. If the trade error results in a gain, we will keep the gain after obtaining reasonable assurance that our clients were not disadvantaged by the error that resulted in a gain.

As a practical matter, we may not be able to maintain a proprietary trade error account with all brokers (such as trades executed through certain client-directed brokers). In these cases, the client will generally keep any gain resulting from the trade error, as it is not practical for us to retain the gain without access to a proprietary trade error account. This practice may result in preferential treatment of client-directed brokerage accounts.

We may at times compensate a client for trade or administrative errors resulting in a loss via a reduction in the client's account fees. We do not use soft dollars to compensate clients for trade or administrative errors.

Addressing trade errors presents a true conflict to all advisers, including us, as we have a financial incentive to minimize a trade error resulting in a loss and to maximize a trade error resulting in a gain. To mitigate this conflict, we maintain policies and procedures designed to provide reasonable assurance trade errors are properly addressed.

## **Item 13      Review of Accounts**

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Client accounts are reviewed continuously by the Portfolio Management Team assigned to the account under the direction of Managing Principal. Additional reviews for investment guideline compliance are performed in connection with our account reconciliation process. During this process, we reconcile account holdings as recorded in the firm's portfolio management system to our client's custodial statement, and we review accounts in an effort to reasonably ensure adherence to applicable investment guidelines.

We furnish unaudited performance reports to clients on a quarterly basis, or more frequently upon request. We also provide a year-end report which includes, among other items, an appraisal and summary of our client's portfolio and a review of the portfolio's performance.

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

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We have no client referral or other compensation relationships to disclose.



## **Item 15 Custody**

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For our separately managed accounts, we do not maintain custody of client assets, except as a consequence of our ability to withdraw our advisory fee directly from client accounts. We have written authority from these clients to deduct fees directly from their accounts at the end of each quarter and the fee is fully disclosed on quarterly client account statements sent by the qualified custodian. We encourage you to review these statements carefully. We send statements to clients on a quarterly basis. We also maintain policies and procedures designed to provide reasonable assurance our client's qualified custodian is sending monthly and quarterly statements to our clients and that we do not inadvertently obtain further custody over client assets. We encourage clients to compare information in our reports to reports provided by the client's qualified custodian. We have no affiliated qualified custodians.

Akros Partners, LLC, an affiliate of Akros, serves as the general partner of the Hedge Fund. In its role as general partner, Akros Partners, LLC has legal access to the Hedge Fund's securities or funds in a manner which may result in Akros Partners, LLC having "custody" of the Hedge Fund's assets. Members of the general partner (Akros Partners, LLC) also serve as officers and members of Akros. To mitigate this risk, the Hedge Fund is audited by an independent accountant annually, and we send copies of these financial statements to investors of the Hedge Fund.

## **Item 16 Investment Discretion**

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We provide portfolio management services on a discretionary basis; however, we permit clients to impose restrictions on investing in certain securities or other limitations as mutually agreed upon. All accounts are subject to a written investment advisory agreement which describes, among other matters, our discretionary authority, any investment limitations, investment objectives and fees.

## **Item 17 Voting Client Securities**

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The investment advisory agreement between Akros and the client governs the responsibility for voting proxies within client accounts. Where we votes proxies, we strive to vote proxies in the clients' best economic interest. We maintain a policy designed to reasonably ensure we will not be influenced by outside sources whose interests conflict with our clients' interests, and to properly resolve any conflict of interest identified. Akros maintains written proxy voting guidelines which summarize our approach to voting proxy matters. We will generally support management's recommendations on proxy issues related to business-operations matters since management's ability is a key factor we consider in selecting equity securities. However, when we believe the company's management is acting in an inconsistent manner with our clients' best interests, we will vote against management's recommendations. With respect to our actively managed accounts, we will also generally vote against recommendations we believe will create dilution for shareholders. Clients who have authorized Akros to vote proxies on their behalf may request a report showing how Akros voted shares held in their account(s). A copy of Akros' Proxy Voting Policy is available upon request.

## **Item 18 Financial Information**

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We have no financial conditions to disclose which would impair our ability to meet our contractual commitments to our clients.

## **Other Information**

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### **Privacy Policy Notice**

#### **Our Promise to You**

As a client of Akros Capital, LLC you share both personal and financial information with us. Your privacy is important to us, and we are dedicated to safeguarding your personal and financial information.

#### **Information Provided by Clients**

In the normal course of doing business, we typically obtain the following non-public personal information about our clients:

- Personal information regarding our clients' identity such as name, address and Social Security number;
- Information regarding securities transactions effected by us; and
- Client financial information such as net-worth, assets, income, bank account information and account balances.

#### **How We Manage and Protect Your Personal Information**

We do not sell information about current or former clients to third parties, nor is it our practice to disclose such information to third parties unless requested or permitted to do so by a client or client representative or, if necessary, in order to process a transaction, service an account or as permitted by law. Additionally, we may share information with outside companies that perform administrative services for us. However, our arrangements with these service providers require them to treat your information as confidential.

In order to protect your personal information, we maintain physical, electronic and procedural safeguards. Our Privacy Policy restricts the use of client information and requires that it be held in strict confidence.

#### **Client Notifications**

We are required by law to annually provide a notice describing our Privacy Policy. In addition, we will inform you promptly if there are changes to our Policy. Please do not hesitate to contact us with questions about this notice.

#### **Class Action Litigation**

We may from time to time receive notices of pending class action litigation involving securities held in client accounts. With respect to the Hedge Fund, we will generally review class-action

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notices, conduct a cost-benefit analysis and make the determination on a case-by-case basis if participation is in the best interest of the Hedge Fund and its investors. With respect to separately managed accounts, we, as a general practice, do not elect to participate in class action lawsuits or related settlements. Rather, the client is responsible to make these elections. We may assist the client by forwarding claims to the client and by providing supporting documentation. However, the final determination of whether to participate, and the completion and tracking of any such related documentation shall generally rest with the client, unless the client and we contractually agree otherwise.

**Dual Roles**

Our CCO also serves as Akros' Director of Operations. In this role, he may face an inherent conflict with his compliance responsibilities. Akros management is cognizant of this potential conflict, and strives to ensure his operations responsibilities do not impair his responsibilities as Akros' Chief Compliance Officer. We do not believe this conflict is material in nature, in light of the firm's size and complexity.