

Longfellow Investment Management Co. LLC

Disclosure Brochure

Part II of Form ADV: Uniform Application for Investment Adviser Registration
March 30, 2012

This brochure has been created to provide clients and prospects with information about the qualifications and business practices of Longfellow Investment Management Co. LLC. Longfellow is a SEC Registered Investment Adviser, however, registration does not imply a certain level of skill or training nor has the information in this brochure been approved or verified by the United States Securities and Exchange. If you have any questions about the contents of this brochure, please contact us at the telephone number listed below.

Additional information about Longfellow Investment Management Co. LLC is available on the SEC's website at www.adviserinfo.sec.gov.

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Item 2 – Material Changes

There is no material changes that have been made to this brochure since it was last updated.

As required by the updated rules, we will provide clients with an updated brochure annually, without charge. Additionally, a brochure may be requested by contacting Michelle Martin, Chief Compliance Officer, by phone at 617-695-3504 or by email at MM@LongfellowInvestment.com.

As in the past, additional information about Longfellow Investment Management Co. LLC is also available via the SEC's web site www.adviserinfo.sec.gov.

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Item 4 – Advisory Business

Longfellow Investment Management Co. LLC (“Longfellow”) is an investment adviser firm registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended. The firm was founded in May 1986 by managing principals David W. Seeley and John Ciarleglio, III. On March 31, 2009, John Ciarleglio III retired and sold his one-third of the firm to the other two principals, Barbara J. McKenna and David W. Seeley, and two employees, John E. Villela and Michelle L. Martin. David C. Stuehr became a principal as of December 31, 2010. Longfellow is 100% employee owned.

Longfellow is a majority women-owned firm and in June 2010, was first certified as a Women’s Business Enterprise by the Center for Women & Enterprise, a regional certifying partner of the Women’s Business Enterprise National Council.

Longfellow provides discretionary portfolio management services, where the firm has authority to invest directly without obtaining consent for each transaction. Client portfolios are invested in one of our fixed income only mandates or our merger arbitrage strategy. The majority of our clients are U.S. based institutions. Each custom portfolio is invested as specified in the client’s portfolio investment guidelines. As needed, Longfellow will assist clients in determining risk and return objectives, defining portfolio guideline parameters that are consistent with those objectives, developing an investment guideline document and identifying an appropriate benchmark to compare portfolio performance.

As of February 28, 2012, Longfellow had \$4.2 billion in assets under management.

Item 5 – Fees and Compensation

Longfellow charges fees based upon portfolio asset value as of the end of each quarter at rates agreed upon with clients which are incorporated into each client investment advisory agreement. Investment management fees are not automatically deducted from client portfolio. Invoices are sent quarterly, in arrears. Fees are based on the end of period market value, which will be adjusted if substantial contributions or withdrawals from the portfolio are made during the quarter. Investment management contracts are terminable by either party upon no greater than 30 days written notice. Fees are negotiable for mandates in excess of \$250 million.

Longfellow’s fees are exclusive of brokerage commissions, transactions fees and other trading costs, which shall be incurred by the client. Clients will likely incur certain charges imposed by their custodian or prime broker. Mutual funds and exchange traded funds also charge internal investment management fees which are disclosed in the fund’s prospectus. Such fees are exclusive and in addition to Longfellow’s management fee and Longfellow does not receive any portion of these commissions, fees and costs.

Fixed Income Fee Schedules

These rates are for investment grade only mandates. Portfolios with a high yield allocation of up to 15% will be charged an additional 5 basis points per tier. Custom fee schedules will be used to accommodate portfolio strategies that do not conform to this list.

Enhanced Cash Strategy

0.20% on the first \$50,000,000

0.15% on the next \$25,000,000

0.125% on the next \$25,000,000

0.10% on the next \$100,000,000

0.08% on the balance

Small account fee: 0.30% on accounts less than \$15,000,000

Short / Intermediate Duration Strategy

0.25% on the first \$50,000,000

0.15% on the next \$50,000,000

0.125% on the balance

Small account fee: 0.30% on accounts less than \$25,000,000

Core Strategy

0.35% on the first \$50,000,000

0.25% on the next \$50,000,000

0.20% on the next \$25,000,000

0.15% on the balance

Small account fee: 0.40% on accounts less than \$25,000,000

All Government Strategy

0.20% on the first \$25,000,000

0.15% on the next \$25,000,000

0.10% on the next \$50,000,000

0.05% on the balance

All Corporate Strategy

0.45% on the first \$25,000,000

0.35% on the next \$50,000,000

0.25% on the next \$25,000,000

0.20% on the balance

TIPS Strategy

0.125% on the first \$25,000,000

0.10% on the next \$25,000,000

0.05% on the balance

LDI Strategy

0.35% on the first \$15,000,000

0.25% on the next \$35,000,000

0.20% on the next \$50,000,000

0.15% on the balance

Merger Arbitrage Fee Schedule

1% fee for all assets under management plus an incentive fee which is 10% of the annual return in excess of 8%. Incentive fees are not charged for periods of less than one year and are calculated and billed annually.

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

Performance based fees are not charged for Longfellow's fixed income portfolio strategies.

Longfellow charges performance based fees as part of its merger arbitrage strategy. The Fee calculation is included in the investment advisory agreement for separate accounts. Portfolios subject to these fees are held by "qualified clients." There is an incentive to allocate profitable opportunities to portfolios that pay performance fees over portfolios that do not pay them. Because the merger arbitrage strategy is primarily equity, the opportunities are not overlapping with those of our fixed income mandates. Among merger arbitrage portfolios, Longfellow mitigates this conflict of interest in several ways:

- Implementing similar fee structures to all merger arbitrage portfolios.
- There are no direct personal incentives to encourage unequal portfolio performance.
- Strategy risk management practices limit allocation percentages.
- By policy, block trades are allocated pro-rata across all merger arbitrage portfolios.
- Opportunities are typically not limited in availability, i.e., there is enough for all portfolios.

Longfellow charges a performance based fee on a custom currency options strategy. The strategy hedges client specific risks and does not include investments that overlap with either the fixed income or the merger arbitrage strategy.

Item 7 – Types of Clients

Longfellow provides portfolio management services to banks, corporations, foundations, family offices, insurance companies, mutual funds, pension plans, Taft-Hartley plans, and not-for-profit organizations.

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

Fixed Income

Longfellow begins relationships by working with clients to establish liquidity needs, risk tolerance and return objectives, as well as yield and loss targets. Longfellow's investment process, research and portfolio management are identical across our fixed income strategies. However, every portfolio is individually managed to meet each client's specific guidelines and objectives, which provides flexibility to meet each client's unique situation.

Longfellow follows a team-based approach in the management of portfolios. Portfolio managers are responsible for setting and overseeing portfolio policies with regards to duration and sector allocations and monitoring portfolio risks. Ideas are shared openly and frequently between analysts and portfolio managers in our small-office setting. Together they determine individual security selection.

Longfellow performs bottom up fundamental based research to determine the most attractive sectors and individual credits (securities/issuers). We use fundamental, technical and valuation analysis in determining specific security selection, ultimately purchasing the security with the best risk adjusted return potential given the particular liquidity needs and portfolio objectives. Because Longfellow's portfolio strategies (enhanced cash/short/intermediate/core) are similar in structure, once identified as attractive, most issuers are held across all portfolios/products – just differing by the specific issue's maturity.

When guidelines allow, Longfellow incorporates these sectors/securities into portfolios.

- Corporate Notes
- Government Agency and Sovereign Issues
- Commercial Mortgage-backed Securities (CMBS)
- Residential Mortgage-backed Securities (MBS)
- Asset-backed Securities (ABS)
- Treasury Notes and Bonds (including zero-coupons and TIPS)

Our philosophy is based on the premise that upside is limited in fixed income. Downside risk, however, is substantial, so fixed income management should focus on analyzing risk. We believe that the fixed income portion of an investment portfolio should earn incremental returns over Treasuries without a substantial increase in risk.

The defensive nature of our fixed income strategy is based upon a platform of in-depth research and monitoring. We do not believe that macro-based strategies such as interest rate forecasting can be implemented consistently and successfully over long periods of time. We attempt to capitalize on a variety of structural inefficiencies and build higher yielding portfolios which exhibit lower volatility than the benchmark. Our bottom-up approach focuses on building portfolios bond by bond and selecting securities that, for non-economic factors, trade

at attractive valuations. Additionally, we utilize diversification to minimize the impact of event risk.

Risk is inherent in all stages of the investment management process. Longfellow's research efforts focus on identifying risk and addressing appropriate risk-reward investments. We evaluate sectors and individual securities by attributing yield spread to the various risk elements: credit risk, call risk, event risk and liquidity to identify "cheap" sectors and securities. The objective is to identify those investments that offer incremental return after all the risks are identified. Cheap sectors and securities exist because noneconomic factors affect pricing, including supply/demand imbalances, analytical and/or administrative complexity, size constraints, and investor biases.

We use quantitative models and tools as part of the process to quantify risks taken at the portfolio level and to evaluate issuer and sector opportunities and risks. Longfellow has built several internal tools which allow us to monitor portfolios from a top-down perspective (curve, duration, sector, etc), as well as a bottom up view (specific issuer and bond exposure). These tools allow us to ensure we are adhering to the product's style, philosophy and process. These tools are also used in our research process.

Fixed Income Investment Risks

The principal risks of investing in fixed income securities is how their prices respond to changes in interest rates, creditworthiness (issuers will not make the interest or principal payments when they are due), prepayment or call risk (issuers may prepay principal earlier than scheduled at a time when interest rates are lower), and risks of political, social and economic developments.

When interest rates go up, the value of fixed coupon debt securities will decline. Securities with longer maturities may lose more value due to increases in interest rates than securities with shorter maturities. Duration is a measure of the security's sensitivity to changes in interest rates. Securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. So the average maturity and duration of securities affects risk.

Regardless of the rating of a security, investors are subject to the risk that an issuer of the security will be unable or unwilling to make timely principal and/or interest payments.

Non-investment grade debt securities are generally considered more risky than investment grade debt securities. The total return and yield of non-investment grade debt securities can be expected to fluctuate more than the total return and yield of higher quality bonds.

Among investment grade debt securities, lower rated securities are often more volatile than higher rated securities. Securities of any quality, including investment grade debt, may be downgraded by a Nationally Recognized Statistical Rating Organization ("NRSRO") which could

impact the price of these securities. Ratings represent the NRSRO's opinion regarding the quality of the security and are not a statement of fact or recommendation to purchase or sell a security. NRSROs may fail to make timely changes to credit ratings in response to subsequent events. NRSROs are subject to an inherent conflict of interest because they are often compensated by the same issuers whose securities they rate.

U.S. government securities are not guaranteed against price movements due to changing interest rates. While some U.S. Government securities are backed by the full faith and credit of the U.S. Government, others are supported only by the credit of the government agency issuing the security which may increase the risk of loss of investment.

- Securities backed by the full faith and credit of the U.S. Government include Treasury bills, Treasury notes, Treasury bonds, and securities issued by the Government National Mortgage Association ("GNMA"), Small Business Administration ("SBA"), and Overseas Private Investment Corporation ("OPIC").
- Securities backed only by the credit of the government agency issuing the security include securities issued by the Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), Federal Agricultural Mortgage Corporation ("FMAC"), and Tennessee Valley Authority ("TVA").

Mortgage-related securities ("mortgages") and asset-backed securities ("ABS") may lose more value due to changes in interest rates than other debt securities and are subject to prepayment and call risk. During periods of declining asset value, difficult or frozen credit markets, swings in interest rates, or deteriorating economic conditions, mortgages and ABS may face valuation difficulties, become more volatile and/or become illiquid.

Mortgages may respond to changes in interest rates differently from other fixed income securities due to the possibility of prepayment of the underlying mortgage loans. As a result, it may not be possible to determine in advance the actual maturity date or average life of a mortgage backed security. Rising interest rates tend to discourage refinancings, with the result that the average life and volatility of the security will increase, exacerbating its decrease in market price. When interest rates fall, mortgages can also be volatile, and may not gain as much in market value because of the expectation of additional underlying mortgage loan prepayments that must be reinvested at lower interest rates. Prepayment risk may make it difficult to calculate the average maturity of mortgages and, therefore, to assess the volatility risk to portfolios. An unexpectedly high rate of defaults on the underlying mortgage loans held by a mortgage pool may adversely affect the security value and could result in losses.

Asset-backed securities are collateralized by the underlying assets and sometimes additional credit support is provided through credit enhancements by a third party. Even with a third party credit enhancement, there is still risk of loss. The values of these securities are sensitive to changes in the credit quality of the underlying collateral, the credit strength of the credit enhancement, changes in interest rates and, at times, the financial condition of the issuer. Some ABS may receive prepayments that can change the securities' effective maturities.

Merger Arbitrage

Longfellow's merger arbitrage strategy invests in announced transactions with an emphasis on definitive merger agreements. The strategy offers investment diversification, as it has a low correlation to both stocks and bonds. In addition, the strategy is liquid as it is largely composed of publicly traded equities.

Longfellow buys securities of companies being acquired in publicly announced transactions where the terms of the transaction have been defined and disclosed. Our objective is to capture the arbitrage spread, the difference between the market price of the securities of the company that is being purchased, and the value that is offered for these securities by the acquiring company. The size of the spread varies from deal to deal and is a function of the deal's anticipated timing, perceived probability of completion and general market conditions.

The investment process begins when a deal is announced. Longfellow's analysis uses a combination of internally generated research, subscriptions to dedicated M&A services and broker generated research. We evaluate and consider risk factors, including analyzing financing, the size of the transaction, anti-trust concerns, regulatory approvals and shareholder voting requirements. After review, not all arbitrage opportunities have a risk-reward profile that warrants investment. While most deals are held until completion, we continue to monitor the downside risk of each transaction and make adjustments to positions as deals evolve and/or market conditions change.

Portfolio diversification is the secondary element in Longfellow's portfolio risk management strategy. Portfolios are diversified by both industry and deal type. The amount invested in any one particular deal is a function of the downside risk on the portfolio, with the goal being to protect the portfolio from outsized losses.

Merger Arbitrage Investment Risks

Portfolios could experience substantial investment losses as the result of many factors, including both external developments such as governmental actions and internal factors, such as changes in market conditions. There are many market-related and other factors, some which cannot be anticipated, that could cause a portfolio to lose a major portion of its value or prevent it from generating profits.

Important risk considerations for Longfellow's merger arbitrage strategy include: deals may not be completed as expected; lack of attractive investment opportunities; and changing regulatory or market conditions.

Longfellow invests in companies which are in the process of being acquired or which are involved in a restructuring merger or acquisition in some capacity. Estimating the time to completion of a merger or acquisition is subject to many variables. If an anticipated merger

takes longer to complete than expected, or is not completed at all, the portfolio may suffer a reduced return, or even a loss. Because the timely completion of any transaction is dependent on regulatory, financial, economic and strategic factors which are difficult to predict and subject to change, there is a significant risk that transactions may not be completed as initially expected.

The number of potential arbitrage transaction candidates, and the level of returns to be earned on these transactions, is dependent on many factors including the economic and regulatory environment, the amount of capital available for investment in arbitrage, and accounting and financial developments. A decline in the number of investment candidates or in the returns available from potential investments, for whatever reason, would have an adverse impact on Longfellow's ability to achieve its strategy objectives.

Changes in the tax laws, securities laws or accounting standards of any jurisdiction where we usually invest may make merger arbitrage, as intended to be practiced, less profitable or cause the number of opportunities appropriate for our strategy to diminish.

Item 9 – Disciplinary Information

Longfellow is required to disclose legal or disciplinary events that would be material to evaluation of our business or the integrity of our management. Neither the firm nor any personnel is the subject of any legal or disciplinary event.

Item 10 – Other Financial Industry Activities and Affiliations

Longfellow is exclusively an investment adviser and has no affiliates or other lines of business.

Longfellow does not recommend or select other investment advisers for clients.

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

Code of Ethics

Longfellow has adopted a Code of Ethics for all employees of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, the reporting of business gifts and entertainment and personal securities trading procedures.

In addition to Longfellow's fiduciary duty to its clients which requires each employee to act solely for the benefit of the clients, employees also have a duty to act in the best interests of Longfellow. Therefore, it is in the best of interests of Longfellow to avoid potential conflicts of interest, or even the appearance of such conflicts, in the conduct of Longfellow's officers and employees.

While it is impossible to define all situations which might pose a risk of securities laws violations or create conflicts, Longfellow Code of Ethics is designed to address those circumstances where such concerns are most likely to arise. By complying with the guidelines stated in the Code of Ethics, the firm's employees can minimize their and the firm's potential exposure to violations of securities laws, prevent fraudulent activity and reinforce fiduciary principles.

Failure to comply with the provisions of Longfellow's Code of Ethics is ground for disciplinary action, including discharge, by Longfellow. Adherence to the Code of Ethics is considered a basic condition of employment with Longfellow. If any employee has any doubt as to the propriety of any activity, they are instructed to consult with the firm's Chief Compliance Officer, Michelle Martin.

A copy of Longfellow's Code of Ethics can be obtained by contacting Michelle Martin by phone at 617-695-3504 or by email at: MM@LongfellowInvestment.com.

Personal Trading

Longfellow has implemented procedures for employees regarding trading of securities for their personal accounts. The policy primarily applies to trading equity securities. Longfellow expects employees to avoid trading securities which would create conflicts of interest with clients or which would be inconsistent with legal and fiduciary responsibilities to clients.

The policy prohibits investing in securities issued by any client of Longfellow and purchasing securities at the time they are held in merger arbitrage portfolios. Employees may buy and sell some of the same securities that are traded in non-merger arbitrage portfolios. While it is unlikely that the transactions of individuals will affect the market for any given security, written approval is required when employees plan to trade equities held in any client portfolio we manage and approved trades are subject to a black-out period.

Longfellow's compliance staff reviews employee trading activity quarterly.

Item 12 – Brokerage Practices

Longfellow generally has discretion to determine the broker-dealers through whom and the commission rates at which transactions will be executed for client accounts. We will consider various relevant factors, including but not limited to, the reputation, execution efficiency, settlement capability and financial condition of the broker-dealer firm; the broker-dealer's execution services rendered on a continuing basis; and the reasonableness of commissions.

Brokers or dealers may be selected which provide brokerage and/or research services to the client for which the transaction is to be executed and/or other accounts over which we exercise investment discretion. Such sources may include advice concerning the value of securities and the advisability of investing in, purchasing or selling securities; furnishing analyses and reports

concerning issuers, industries, securities, economic factors and trends, portfolio strategy and performance functions incidental thereto (such as clearance and settlement) or trustee, custody, or accounting services for the client for which a transaction is executed. However, we will generally select brokerage firms which are believed to provide execution services at rates which are as favorable as those which could be obtained from other firms for similar services.

Longfellow engages in block trading, where the orders of two or more clients are combined. This practice is used to achieve consistent performance among accounts with similar objectives and reduce transactions costs. Block trading is done only if Longfellow has determined that each order is in the best interests of each participating client, is consistent with the terms of each investment advisory agreement of the participants and results in the best execution available.

Item 13 – Review of Accounts

Longfellow's portfolio managers review all portfolios on an ongoing basis. The reviews focus on consistency of portfolio investments with objectives and risk tolerances. Compliance tests are applied electronically, both pre-trade and post-trade, to insure compliance with the various investment parameters. Portfolio reviews may also be triggered by changes in general economic and market conditions, interest rate movements and/or client directed initiatives.

Longfellow provides monthly accounting statements that include priced holdings and transactions. Quarterly, the report package includes commentary regarding performance and market outlook. Other custom reports can be provided upon request.

Item 14 – Client Referrals and Other Compensation

Longfellow is exclusively an investment adviser and does not receive any economic benefit from non-clients in connection with giving advice to clients.

Longfellow does not have any introducer (solicitor) arrangements.

Item 15 – Custody

Longfellow does not offer custody services. Clients are responsible for maintaining a custody account for their portfolio with a custodian of their choosing. Clients are responsible for all fees charged by the custodian. The custodian will provide the client and Longfellow with monthly holding and transaction reports. The custodian holds the securities and collects the payments and is the official books and records of the portfolio. Longfellow's statements reflect transactions as we expect them to occur; on a monthly basis we reconcile our activity to the custodian's statements. Our statements may vary from custodial statements based on reporting dates, accounting procedure and or valuation methodologies. Clients should carefully review the portfolio statements produced by their custodian.

Item 16 – Investment Discretion

Longfellow's investment advisory agreement gives us full discretionary investment authority over client portfolios including the selection of securities to purchase or sell and the broker to be utilized. In all cases, discretion is exercised in a manner consistent with written portfolio investment guidelines, which is an integral component of the investment advisory agreement. While Longfellow follows our standard fixed income or merger arbitrage strategies, clients may specify security or portfolio level restrictions on permitted securities – including social screens, quality, maturity, and/or diversification. Each portfolio is separately managed and when selecting securities and determining holding size, Longfellow adheres to each portfolio's investment guidelines. Some client's have limited Longfellow's authority to realize gains or losses without prior permission.

Item 17 – Voting Client Securities

Where Longfellow has proxy voting authority, Longfellow's policy is to vote proxies in the best interest of the each client. Most of the proxies we receive relate to non-controversial shareholder approvals for corporate mergers or restructurings of holdings in our merger arbitrage portfolios. Typically, proxies are voted in favor of the merger/restructuring, and/or in concurrence with management's recommendations. Because we manage a single equity strategy, conflicts of interest among clients is not typical. We maintain records of all proxies voted and clients may request a copy of our proxy voting policies and procedures or a record of how their proxies were voted by contacting Michelle Martin.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide disclosures about their financial condition. Longfellow has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.