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**September 4, 2012**

**This Brochure provides information about the qualifications and business practices of Keeley Asset Management Corp. (“KAMCO” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at (312) 786-5000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**KAMCO is an investment adviser registered with the SEC under the Investment Advisers Act of 1940 (“Advisers Act”). Registration as an investment adviser does not imply any level of skill or training.**

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

## **Material Changes**

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This Brochure provides information about the qualifications and business practices of KAMCO. There have been no material changes since KAMCO's last annual amendment (March 29, 2011).

Currently, KAMCO's Brochure may be requested free of charge by contacting KAMCO's Compliance Department at (312) 786-5000. KAMCO's Brochure is also available on the SEC's Investment Adviser Public Disclosure web site ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)) and on KAMCO's web site at [www.keeleyasset.com](http://www.keeleyasset.com).

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## **Advisory Business**

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### ***History & Ownership***

Keeley Asset Management Corp. (“KAMCO”) is an Illinois corporation that has been in business since 1982. KAMCO provides discretionary and non-discretionary investment advisory services to a broad spectrum of clients, including the Keeley Funds, Inc. (the “Keeley Funds”), an affiliated registered investment company that includes seven fund series. In addition to the Keeley Funds, KAMCO’s clients include individuals, banking institutions, investment companies, pension and profit sharing plans, pooled investment vehicles, charitable organizations, and municipal government entities. As of December 31, 2011, KAMCO managed \$4.7 billion in assets on a discretionary basis and one \$42.1 million account on a non-discretionary basis.

KAMCO is a wholly-owned subsidiary of Keeley Holdings, Inc., and Keeley Holdings, Inc. is in turn a wholly-owned subsidiary of Joley Corp. (“Joley”). All outstanding shares of Joley are currently owned by John L. Keeley, Jr., the President and Founder of KAMCO, and estate planning trusts established for the benefit of his descendants. On July 21, 2008 KAMCO completed a minority leveraged recapitalization with TA Associates. There was no change of control at Joley or any of its affiliates, including KAMCO, as a result of the recapitalization.

Joley has established an employee equity option plan that provides for employee ownership of approximately ten percent (10%) of its fully-diluted shares.

### ***Advisory Services***

KAMCO manages client assets in accordance with written investment objectives, policies and restrictions. For all but one client account, KAMCO has investment discretion and makes all investment decisions for client accounts without consultation with the client, including decisions to buy, sell, exchange, convert or otherwise trade in securities and other financial instruments.

### ***Mutual Funds***

KAMCO serves as investment adviser to the Keeley Funds. The Keeley Funds consist of seven series, in the following strategies: small cap value; small cap dividend value; small-mid cap value; mid cap value; mid cap dividend value; all cap value; and alternative value.

### ***Separately Managed Accounts***

KAMCO serves as investment adviser to several separately managed client accounts. These accounts are managed pursuant to the following strategies: small cap value; small cap dividend value; small-mid cap value; mid cap value; and all cap value.

### ***WRAP Fee Programs***

KAMCO manages assets for several wrap fee programs, either under contract with the sponsoring broker-dealer or under contracts with individual clients referred by the sponsoring broker-dealer. KAMCO manages such assets primarily based on construction of model portfolios in five strategies: small cap value; small-mid cap value; mid cap value; all cap value; and concentrated mid cap value.

### ***Private Investment Funds***

KAMCO provides investment advice to three private investment limited partnerships, KAMCO Performance Limited Partnership, KAMCO Limited Partnership No. 1, and KAMCO Thrift Partners, L.P., which are owned primarily by KAMCO's principals and related parties. KAMCO advises these limited partnerships on investing in exchange-listed, over-the-counter, and foreign equity securities; warrants; equity, index and commodity options; corporate and government debt securities, and other instruments, all as more fully described in the offering documents for such funds.

### **Fees and Compensation**

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#### ***Separate Accounts***

KAMCO's basic fee schedule for institutional and individual separately managed account clients is generally as follows:

- Minimum Initial Investment - \$2 million
- Minimum Annual Fee - \$20,000
- 1.00% on \$2 million to \$25 million of total assets
- 0.85% on assets from \$25 million to \$50 million
- 0.75% on assets from \$50 million to \$100 million
- 0.55% on assets above \$100 million

Under some circumstances, the account minimum, the fee rate, the timing of payment, or billing may be negotiable. Such circumstances may include, among others, a client's history with KAMCO, the nature of the client (e.g. charitable portfolios and employee portfolios), the size of the portfolio, competition for a particular client or type of account, and certain situations in which a client (i.e. municipality) may be subject to restrictions regarding the amount it may pay.

Fees are generally payable quarterly, in arrears or in advance as negotiated with the client. All client fees are calculated based on the rate structures set forth in the applicable advisory agreement, as applied to the value of the account established by the client's custodian as of the last business day of each quarter. Although KAMCO generally bills its clients, certain clients may elect to have fees deducted from their account.

In addition to KAMCO's advisory fees, clients will pay custody fees to their custodians. Clients will also incur brokerage and other related transaction costs. For more information on KAMCO's brokerage practices, please refer to "Brokerage Practices" on page 13 of this Brochure.

#### ***WRAP Fee Programs***

The fees paid to KAMCO by wrap program sponsors may vary depending on the investment strategy implemented, but do not generally exceed 1.00% per annum of the market value of the client's account.

***Registered Mutual Funds***

KAMCO serves as investment adviser to the Keeley Funds. For its services, KAMCO receives the following fees, computed annually and payable monthly, for the Class A and Class I Shares of each fund:

Keeley Small Cap Value Fund

- 1.00% for the first \$1 billion
- 0.90% for the next \$5 billion
- 0.80% for the next \$2 billion
- 0.70% for the next \$2 billion
- and 0.60% in excess of \$10 billion

Keeley Small Cap Dividend Value Fund & Keeley Mid Cap Dividend Value Fund

- 1.00% of net assets

Keeley Small-Mid Cap Value Fund, Keeley Mid Cap Value Fund, & Keeley All Cap Value Fund

- 1.00% for the first \$350 million in net assets
- 0.90% on the next \$350 million in net assets
- 0.80% in excess of \$700 million in net assets

Keeley Alternative Value Fund

- 1.60% of net assets
- KAMCO pays 0.60% of the above fee it receives to Broadmark Asset Management LLC for its services as a sub-adviser to the fund

Keeley Funds Expense Waiver/Reimbursement Agreements

Until January 31, 2013, KAMCO has agreed to waive a portion of its advisory fees or reimburse the Keeley Small Cap Value Fund, the Keeley Small Cap Dividend Value Fund, The Keeley Small-Mid Cap Value Fund, the Keeley Mid Cap Value Fund, the Keeley Mid Cap Dividend Value Fund, and the Keeley All Cap Value Fund to the extent that its total annual operating expenses exceed 1.39% of total net assets for Class A shares and 1.14% of total net assets for Class I shares. KAMCO has also agreed to waive a portion of its advisory fees or reimburse the Keeley Alternative Value Fund to the extent that its total annual operating expenses exceed 1.89% of total net assets for Class A shares and 1.64% of total net assets for Class I shares until the same date. These expense limitations are exclusive of (i) taxes, (ii) interest charges, (iii) litigation and other extraordinary expenses, and (iv) brokerage commissions and other charges relating to the purchase and sale of the funds' portfolio securities.

***Private Investment Funds***

The fee rates for the private investment funds managed by KAMCO are as follows:

- 2% of Gross Assets, as described in the Confidential Private Placement Memorandum
- 1% of Gross Assets and 20% of New Profits, allocated on a High Water Mark Basis, as described in the Confidential Private Placement Memorandums
- 1% of Net Assets and 20% of New Profits allocated on a High Water Mark Basis, as described in the Limited Partnership Agreement

Confidential Private Placement Memoranda for the private investment funds are available only to current and eligible prospective investors.

### ***Termination***

KAMCO's standard advisory agreements with separate account clients may be terminated at any time, subject to reasonable written notice periods as agreed to by KAMCO and the client and stated in the investment advisory agreement. In the event of termination, fees will be prorated to the date of termination and any unearned portion of fees that were paid in advance will be refunded to the Client. Investment advisory contracts with the Keeley Funds are subject to renewal each year in accordance with Section 15(c) of the Investment Company Act of 1940. Contracts with the limited partnerships are subject to termination, and interests in such partnerships may be redeemed, under terms set forth in the limited partnership agreements of such partnerships. In the case of wrap programs that provide for prepayment of fees, the client should refer to the Sponsor's brochure for information regarding termination and refund procedures.

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

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As described in "Fees & Compensation" above, KAMCO may receive a performance-based fee from investors in certain private investment funds.

Management of multiple types of client accounts and funds may create potential conflicts of interest. These may include conflicts in the allocation of investment opportunities and trades resulting from differing fee structures or interests by KAMCO or its related persons in certain accounts. KAMCO has adopted allocation policies and procedures designed to address and minimize the effects of these conflicts.

Certain members of KAMCO's research team manage these entities as well as other client accounts that pay an asset-based fee. As such, these individuals face an inherent conflict of interest as they may be inclined to favor the accounts paying a performance-based fee over those paying solely an asset-based fee. KAMCO believes this conflict of interest is mitigated by the fact that the three performance-based fee accounts employ strategies that are distinctly different than those employed by KAMCO's asset-based fee clients, and investments made for the performance-based accounts are different from those made for the asset-based accounts. In addition, KAMCO's Code of Ethics and post-trade monitoring for conflicts are intended to promote fairness to client accounts in the investment process.

### **Types of Clients**

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KAMCO provides investment advisory services to many different types of clients, including open-end registered investment companies, institutional investors including qualified and non-qualified plans, foundations and endowments, municipalities, charitable organizations, high-net-worth individuals, and private investment funds. The minimum account size to open a separately managed account is generally \$2 million. However, this initial investment amount is negotiable. Minimum investments for the Keeley Funds and the private funds are as stated in the prospectus and offering documents, respectively, of such entities.

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

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KAMCO seeks to provide long-term capital appreciation in the equity markets by investing with a “value” approach across different market capitalization levels, with a primary focus in small and mid-cap securities. KAMCO primarily employs fundamental security analysis in its strategies. This is a “bottom-up” investment strategy that focuses largely on undervalued companies, with emphasis on those undergoing corporate restructuring. Certain strategies offered by KAMCO have been modified to include dividend yield and market hedge components as complements to KAMCO’s fundamental analysis techniques. In a limited number of client accounts, KAMCO may purchase or sell commodity and financial futures and forward contracts as well as options on commodity and financial futures contracts.

In applying its investment philosophy, KAMCO attempts to employ model portfolios when implementing its various investment product strategies. However, given the customized nature of the KAMCO’s investment process and each client’s particular investment guidelines, not all clients will hold all of the same securities contained in the applicable model portfolio. To the extent possible, KAMCO will attempt to align relevant accounts to the model within the product strategy, but this may not be feasible for the following reasons, among others:

- A position held in the model portfolio for a longer historical period and which has already experienced the price appreciation anticipated when it was purchased may not be as attractive for new investments as other current investment opportunities in the market;
- The inherent liquidity characteristics of a particular security and/or the client’s account make-up may make it impractical for additional purchases to be made at a reasonable price; or
- A particular client’s restrictions, investment guidelines, or other considerations may make certain of KAMCO’s investment recommendations impossible to execute across all client accounts.

These and other factors may result in performance dispersion between the model portfolio and certain client accounts within a particular product strategy or between distinct product offerings.

The primary sources of information that KAMCO employs in its research process are:

- U.S. Securities and Exchange Commission filings
- Reviews of corporate structure and activities
- Meetings with company management
- Financial publications and corporate restructuring periodicals
- Research materials prepared by others
- Company press releases

A general summary of KAMCO’s investment strategies and the material risks involved in each one are presented below.

### ***Small Cap Value, Small-Mid Cap Value, Mid Cap Value, All Cap Value Equity***

KAMCO’s Small Cap Value, Small-Mid Cap Value, Mid Cap Value, and All Cap Value Equity strategies seeks to achieve their investment objectives of long-term capital appreciation by investing primarily in equity securities. These equity securities may include common stock, preferred stock, convertible debt securities and warrants. The strategies, which vary by market capitalizations, emphasize the following five basic situations:



- Corporate spin-offs
- Various types of corporate restructuring, including acquisitions, recapitalizations and companies emerging from bankruptcy
- Companies that are trading at prices at or below actual or perceived book value and companies that are undergoing substantial changes, such as significant changes in markets or technologies, management and financial structure
- Conversions of savings & loan associations and insurance companies from mutual to stock companies
- Distressed utilities

KAMCO believes that these strategies allow the purchase of equity shares with above-average potential for capital appreciation at relatively favorable market prices. Current dividend or interest income is not a factor when choosing securities.

#### ***Small Cap Dividend Value, Mid Cap Dividend Value Equity***

KAMCO's Small Cap Dividend Value and Mid Cap Dividend Value strategies seek to achieve their investment objectives of long-term capital appreciation by investing primarily in companies in their respective market capitalization segments, as defined by KAMCO, and currently pay or are reasonably expected to pay dividends to shareholders. KAMCO looks for stocks with sustainable, expected growth in earnings and dividends and attempts to buy them when they are temporarily out-of-favor or undervalued by the market. The equity securities may include common stock, preferred stock, convertible debt securities and warrants.

KAMCO believes that the "dividend paying" component of these strategies allows the purchase of equity shares with above-average potential for capital appreciation with a potential reduction in volatility as compared to KAMCO's other equity strategies.

#### ***Alternative Value Equity***

KAMCO's Alternative Value Equity strategy seeks to achieve its investment objective of long-term capital appreciation through two components: an equity component and a dynamic hedging component.

Equity Component – For the equity component, the strategy pursues its investment objective of long-term capital appreciation by investing in companies with small and mid-size market capitalizations, as defined by KAMCO. These equity securities may include common stock, preferred stock, convertible debt securities and warrants. The strategy emphasizes the following five basic situations:

- Corporate spin-offs
- Various types of corporate restructuring, including acquisitions, recapitalizations and companies emerging from bankruptcy
- Companies that are trading at prices at or below actual or perceived book value and companies that are undergoing substantial changes, such as significant changes in markets or technologies, management and financial structure
- Conversions of savings & loan associations and insurance companies from mutual to stock companies
- Distressed utilities

KAMCO believes that the equity component of this strategy allows the purchase of equity shares with above-average potential for capital appreciation at relatively favorable market prices. Current dividend or interest income is not a factor when choosing securities.

Dynamic Hedging Component – Broadmark Asset Management, LLC (“Broadmark”) serves as a sub-adviser for this portion of the strategy. Broadmark attempts to mitigate market risk within the strategy through a dynamic hedging strategy based upon a multi-factor process that includes the use of certain derivative instruments, including options, futures contracts (sometimes referred to as futures) and options on futures contracts, as well as Exchange-Traded Funds (“ETFs”) and Exchange-Traded Notes (“ETNs”). Broadmark may utilize any asset class of an ETF or ETN, but primarily utilizes equity-based instruments. In applying its strategy, Broadmark assesses the following factors:

- Monetary policy
- Valuation analysis
- Investor sentiment
- Market momentum

Broadmark adjusts the strategy’s net exposure to equities based upon its overall assessment of risk and opportunity in the market and the strategy’s equity portfolio, including cash positions. If successful, this component of the strategy may reduce risk of loss by wholly or partially offsetting the negative effect of unfavorable price movements, but it also may reduce opportunity for gain by offsetting the positive effect of favorable price movements.

The Alternative Value strategy is not currently offered as an institutional separately managed account product. Therefore, any prospective investors currently have to invest in the Keeley Alternative Value Fund, a series of the Keeley Funds, to gain access to this strategy. As this vehicle is a fund registered under the Investment Company Act of 1940, all prospective investors should read the fund’s Prospectus prior to investing in order to obtain a full understanding of the Alternative Value strategy and its risks.

### ***Risk of Loss***

Investing in securities involves risk of loss that clients should be prepared to bear. KAMCO’s strategies may be suitable for the more aggressive section of an investor’s portfolio. The strategies are designed for people who want to grow their capital over the long-term and who are comfortable with possible frequent short-term changes in the value of their investment. KAMCO strategies may not be suitable for investors who have a short-term investment horizon or are uncomfortable with potentially substantial variations in value. An investment in KAMCO’s strategies should not be considered a complete investment program.

The material risks involved in all of KAMCO’s equity strategies include, among other risks:

- Liquidity Risk – Certain investments may be difficult to sell at certain times due limited trading volume.
- Market Risk – Market prices of securities held by a client may fall rapidly or unpredictably due to a variety of factors, including changing economic, political or market conditions
- Small and Mid-Size Company Risk – Smaller companies often have limited product lines, markets or financial resources, may be dependent for management on one or a few key persons, and can be more susceptible to losses, stock price volatility, reduced stock trading volume and liquidity
- Value Stock Risk – Value stocks may perform differently from the market as a whole and may be undervalued by the market over certain periods of time.

### ***Private Funds***

The investment objectives, strategies and methods of analysis are described more fully in the Confidential Private Placement Memoranda for KAMCO Performance Limited Partnership, KAMCO Limited Partnership No. 1, and KAMCO Thrift Partners, L.P., the private investment funds. These documents are only made available to current and eligible prospective investors.

### **Disciplinary Information**

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KAMCO does not have any material legal or disciplinary events to disclose.

### **Other Financial Industry Activities and Affiliations**

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#### ***Affiliated Broker-Dealer***

KAMCO is under common control with Keeley Investment Corp., an SEC registered and FINRA member broker-dealer. Keeley Investment Corp. serves as underwriter and distributor of the Keeley Funds. A substantial majority of trades for the Keeley Funds and all trades for certain limited partnerships are effected by Keeley Investment Corp. Trades for certain separately managed accounts of clients who have so agreed in their investment management agreements may also be effected by Keeley Investment Corp.

Several of KAMCO's employees are registered representatives of Keeley Investment Corp. and may from time to time in their capacity as registered representatives, sell shares of the Keeley Funds. Such individuals will not be compensated by Keeley Investment Corp. through a share of sales loads, Rule 12b-1 fees or other revenue sharing for sales of Keeley Fund shares to clients of Registrant.

#### ***Commodities Registrations***

KAMCO is registered with the Commodity Futures Trading Commission ("CFTC") and the National Futures Association ("NFA") as a Commodity Trading Advisor and Commodity Pool Operator. Keeley Investment Corp. is registered with the CFTC and NFA as a Guaranteed Introducing Broker. John L. Keeley, Jr., is registered as a Commodity Pool Operator.

#### ***Affiliated Mutual Funds***

KAMCO is the investment adviser to the Keeley Funds, Inc. ("Keeley Funds"), a registered open-end series investment company comprised of seven publicly traded mutual funds. John L. Keeley, Jr., the President and Founder of KAMCO, is the President and a Director of the Keeley Funds. In some instances, shares of the Keeley Funds may be purchased for and held by client accounts managed by KAMCO. In no case will KAMCO, or an affiliated person, receive direct compensation in connection with any purchases of shares of the Keeley Funds for client accounts. However, if KAMCO purchases shares of the Keeley Funds for a client account, such client will pay (and KAMCO will receive indirectly) fees for investment advisory services KAMCO provides as investment adviser to the Keeley Funds, as described in the Keeley Funds' prospectus. Such fees are in addition to investment advisory fees paid to KAMCO for management of the client account.

#### ***Private Investment Funds***

KAMCO and John L. Keeley, Jr. are General Partners of KAMCO Performance Limited Partnership. John L. Keeley, Jr. is the General Partner of KAMCO Limited Partnership No. 1. KAMCO and Mark Zahorik, Vice President of KAMCO, are General Partners of KAMCO Thrift Partners, L.P. John L.

Keeley, Jr. owns a substantial majority interest in KAMCO Limited Partnership No. 1 and KAMCO Performance Limited Partnership.

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

#### ***Code of Ethics***

KAMCO has adopted a Code of Ethics (“Code”) pursuant to Rule 204A-1 under the Investment Advisers Act that governs personal trading by any partner, officer, director, or employee of KAMCO, or other person who provides investment advice on behalf of, or has access to information concerning investment decisions by, KAMCO. The Code requires all employees to adhere to the highest ethical standards in providing investment advisory services to clients, including placing the interests of its clients ahead of KAMCO’s and their own.

The Code contains policies and procedures that, among other things:

- Prohibit employees from taking personal advantage of opportunities belonging to clients
- Prohibit trading on the basis of material, nonpublic information
- Place limitations on personal trading by employees and impose preclearance and annual and quarterly reporting obligations with respect to such trading
- Impose limitations on the acceptance of gifts
- Restrict employees’ outside business activities

The Code places the responsibility on employees to report any activity that is not consistent with the Code to the Compliance Department. Employees who violate the Code are subject to sanctions. All supervised persons of KAMCO must annually certify in writing their familiarity and compliance with the Code of Ethics. KAMCO will provide a copy of its Code to any advisory client or prospective client upon request.

#### ***Participation or Interest in Client Transactions***

Orders to purchase or sell securities are generally determined by portfolio managers based on size of the accounts participating in the trade. Orders executed through Keeley Investment Corp. to purchase or sell the same securities for multiple accounts (other than wrap accounts) may be aggregated if the portfolio manager determines that such aggregation is equitable to all participating accounts and consistent with the goal of achieving best execution of the trade. All trades in the same security executed through Keeley Investment Corp. in the same trading day will be average priced. In no event shall an employee, associate, or affiliate of KAMCO receive a more favorable price than an advisory client, in connection with a purchase or sale of the same security on the same day.

In the event an order is only partially filled in a given trading day, KAMCO will allocate the securities transacted among accounts using its best judgment, based on its opinion of the need for such securities in the various accounts at the time of allocation. Factors that the KAMCO may use to determine need include, but are not limited to: customer preferences and suitability; portfolio composition; portfolio size; market conditions; cash position; and interest rates. KAMCO may give preference to the Keeley Funds in any such allocations. As between each series of the Keeley Funds, if there are not sufficient securities to allocate, securities will be allocated pro rata based upon order size.

KAMCO has elected not to offer advice with respect to, or to accept any allocation of, equity new issues, because in KAMCO’s opinion, equity new issues are not available in sufficient quantities to make

meaningful allocations among all discretionary clients whose investment profiles would accept the inherent risk of such securities; insignificant allocations among clients will complicate portfolio management beyond any benefit which might result from ownership, and an allocation to only a few clients based not on an investment management decision but on a random allocation, such as by lot, is not a professional approach to portfolio management. This election, however, does not apply to secondary issue offerings where the company is a publicly traded entity.

KAMCO's affiliate Keeley Investment Corp. may purchase equity new issues to the extent available on behalf of nondiscretionary brokerage accounts on an unsolicited basis, provided the customers meet applicable FINRA requirements.

## **Brokerage Practices**

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### ***Selection of Brokers***

KAMCO acts as a discretionary investment manager and is authorized to make investment decisions for client accounts and to select broker-dealers to execute transactions. Except where directed by clients either in connection with wrap programs or otherwise, KAMCO will place orders for the execution of transactions in accordance with its best execution policies and procedures. Under those policies and procedures, KAMCO may consider many factors, including the following, in selecting broker/dealers:

- The nature of the security being traded and the size of the transaction
- The desired timing of the trade
- The existing and expected market activity for the particular security
- Confidentiality
- The execution, clearance and settlement capabilities of the broker or dealer
- The financial stability of the broker or dealer
- KAMCO's knowledge of negotiated commission rates available for the trade in question
- The provision of research and other services

Based upon the consideration of these factors, transactions will not always be executed at the lowest available price or commission, as best execution may not necessarily reflect the best available price.

A substantial majority of trades for the Keeley Funds and all trades for the private investment funds are effected by Keeley Investment Corp., KAMCO's broker/dealer affiliate, at pre-negotiated commission rates, in accordance with disclosures to investors in those funds. Trades for certain separately managed accounts of clients who have so agreed in their investment management agreements may also be placed with Keeley Investment Corp. KAMCO will periodically review pre-negotiated commission rates in light of changing market conditions. As discussed more fully below, trades for wrap fee accounts will generally be placed with their sponsors. For other accounts, KAMCO will select brokers in accordance with its policies described above.

All transactions for clients, including those placed through Keeley Investment Corp., are subject to monitoring for best execution, in accordance with the policies and procedures of KAMCO. If Keeley Investment Corp. effects transactions in securities on a national exchange, it may receive and retain compensation for such services, subject to the limitations and restrictions made applicable to such transactions by Section 11(a) of the Securities Exchange Act of 1934 and Rule 11a2-2(T) thereunder.

### ***Research and Other Soft Dollar Benefits***

Based upon the factors employed to select brokers to execute client transactions, KAMCO may take into consideration the value of research services provided by the brokers. KAMCO may pay brokerage commissions in excess of fees charged by other brokers in recognition of the value of such research and/or other services to KAMCO's investment decision-making process. These transactions are conducted in accordance with Section 28(e) of the Securities and Exchange Act of 1934. The research may be proprietary (created and provided by the broker-dealer, including tangible research products as well as, for example, access to company management or broker/dealer generated research reports) or third-party (created by a third-party, but provided to KAMCO by the broker). Such research or other services may include, to the extent permitted by law: research reports; economic and financial data; financial publications; proxy analysis; computer databases; and quotation services.

To the extent that KAMCO uses products and services obtained through soft dollar arrangements, it will not incur the cost of those products and services. KAMCO may thus have an incentive to select a broker based on its interest in receiving research benefits, rather than each client's interest in receiving best execution. To the extent that KAMCO receives both administrative benefits and research and brokerage services from the services provided by brokers, KAMCO will make a good faith allocation between the administrative benefits and the research and brokerage services and pay for the administrative benefits in hard dollars.

The research products/services provided by brokers through soft dollar arrangements benefit KAMCO's investment process for client accounts and are used to provide investment advice to all clients of KAMCO, including accounts that may not have paid commissions to the broker involved in a particular transaction. As a result, not all research generated by a particular client's trading will benefit that client's account. KAMCO does not attempt to allocate the relative costs or benefits of research among client accounts because it believes that, in the aggregate, the research it receives benefits all clients and assists KAMCO in fulfilling its overall duty to its clients.

When selecting brokers who provide soft dollar research products/services, KAMCO adheres to the following procedures:

- Any research services must be provided to KAMCO by the broker effecting the transaction
- A good faith determination has been made that the commissions paid are reasonable in relation to the value of the brokerage and research services received
- The research services received qualify as "brokerage and research" services pursuant to Section 28(e) of the Securities and Exchange Act of 1934

### ***Directed Brokerage***

Clients may direct KAMCO to effect transactions through particular brokers or dealers, including KAMCO's affiliate, Keeley Investment Corp., in recognition of custodial or other arrangements. Such discretion may impair KAMCO's ability to achieve best execution. Examples of how client directed brokerage may limit KAMCO's ability to achieve best execution are as follows:

- KAMCO may be unable to take into account judgmental factors in selecting brokers or dealers
- A client account may incur transaction costs and/or commissions that may be higher than if such direction had not occurred
- A client account may not be able to participate in aggregated trades

- Execution of orders for clients that have designated particular brokers may, at the discretion of KAMCO's trading desk, be delayed until execution of other non-designated orders have been completed

### ***Trades for WRAP Fee Programs***

Trades on behalf of wrap accounts are generally placed with the wrap sponsor, but KAMCO may, where it believes such action to be consistent with best execution, place such trades with other broker/dealers, including Keeley Investment Corp. In such instances, the wrap account client will incur commission charges over and above the all-inclusive wrap fee it pays to the sponsor of the particular wrap program.

Orders for wrap fee accounts may not be bunched with orders for other accounts. As a result, such trades may, at KAMCO's discretion, be placed after all trades for the other categories of clients.

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

Orders to purchase or sell securities are generally determined by portfolio managers based on size of the accounts participating in the trade. Orders to purchase or sell the same securities for multiple accounts (other than wrap accounts) may be aggregated if the portfolio manager determines that such aggregation is equitable to all participating accounts and consistent with the goal of achieving best execution of the trade and if the trade is executed through Keeley Investment Corp. All trades in the same security executed through Keeley Investment Corp. in the same trading day will be average priced. In no event shall an employee, associate, or affiliate of KAMCO receive a more favorable price than an advisory client, in connection with a purchase or sale of the same security on the same day.

In the event an order is only partially filled in a given trading day, KAMCO will allocate the securities transacted among accounts using its best judgment, based on its opinion of the need for such securities in the various accounts at the time of allocation. Factors that the KAMCO may use to determine need include, but are not limited to: customer preferences and suitability; portfolio composition; portfolio size; market conditions; cash position; and interest rates. KAMCO may give preference to the Keeley Funds in any such allocations. As between each series of the Keeley Funds, if there are not sufficient securities to allocate, securities will be allocated pro rata based upon order size.

### ***Review of Accounts***

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KAMCO's portfolio managers, trading, operations and compliance staff review client accounts on a regular basis, not less often than quarterly, for compliance with investment guidelines. KAMCO generally provides quarterly written reports to its institutional and high-net-worth separately managed account clients. These reports include information on holdings, account value and performance.

### ***Client Referrals and Other Compensation***

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KAMCO has an arrangement with Clarkin Freeman and Associates, Inc. ("Clarkin") under which KAMCO pays Clarkin a \$10,000 annual consulting fee retainer and a percentage of its advisory fees (25% in the first 2 years and 20% thereafter, by client) with respect to advisory clients obtained and maintained through that company's efforts. This arrangement is fully disclosed to clients and is in accordance with Rule 206(4)-3 under the Advisers Act.

KAMCO has an arrangement with Papamarkou Wellner Asset Management Inc. ("Papamarkou") under which KAMCO pays Papamarkou a percentage of its advisory fees (20% by client) with respect to

advisory clients obtained and maintained through that company's efforts. This arrangement is fully disclosed to clients and is in accordance with Rule 206(4)-3 under the Advisers Act.

These arrangements do not result in higher advisory fees for referred clients.

### **Custody**

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KAMCO is deemed to have custody of client assets under the Investment Advisers Act of 1940 because of the instances where it has the ability to deduct advisory fees directly from client accounts and its role as general partner for certain private investment funds. Where clients have granted the authority to KAMCO to deduct advisory fees, clients receive statements at least quarterly and are urged to compare the information provided by KAMCO to the statements provided by their custodians. For the private investment funds where KAMCO serves as general partner, the private investment funds are subject to annual financial statement audits which are sent to all investors on an annual basis.

### **Investment Discretion**

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KAMCO has discretion to manage client assets subject to written investment advisory agreements which grant this authority. These agreements typically provide for assets to be managed in accordance with written investment objectives, policies and restrictions. These limitations may differ from client to client. Clients have the ability to place certain restrictions on KAMCO's discretionary investment authority.

Certain clients may request that KAMCO direct trading to a particular broker. This may limit KAMCO's discretionary ability to select particular brokers for client transactions.

### **Voting Client Securities**

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KAMCO has adopted proxy policies and procedures that provide that KAMCO votes client securities for which it has voting power and responsibility with the goal of enhancing the value of the investment. KAMCO's policies on voting are as follows:

- Vote with management on routine matters
- Vote in KAMCO's best judgment on non-routine matters
- Vote as directed by the client on social and political matters
- Vote against anti-takeover proposals

A member of the research team screens proposals and brings any non-routine matters to the other members of the research team for their consideration. If KAMCO perceives a conflict of interest on any vote, it will solicit the client for direction, unless it is a matter in which the policies and procedures provide for a predetermined vote. The proxy procedures provide for the method of voting, address responsibility for decision-making in voting and timeliness, record keeping and distribution of information to clients. KAMCO maintains records of its proxy voting as required by the Advisers Act and the related rules of the SEC. Copies of KAMCO's complete voting policies and procedures and the records of how a client's securities were voted are available upon request.

### **Financial Information**

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KAMCO does not believe there is any existing financial condition that is reasonably likely to impair its ability to meet its contractual obligations to clients.