

**FIRM BROCHURE  
(PART 2A OF FORM ADV)**

**GARDNER LEWIS ASSET MANAGEMENT, L.P.**

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Fiscal Year End: December 31, 2011  
Filed: March 30, 2012

This Brochure provides information about the qualifications and business practices of Gardner Lewis Asset Management, L.P. If you have any questions about the contents of this brochure, please contact us at (610) 558-2800 or [clientservices@gardnerlewis.com](mailto:clientservices@gardnerlewis.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.

Gardner Lewis Asset Management, L.P. is a registered Investment Advisor. Registration of an Investment Advisor does not imply a certain level of skill or training. The oral and written communications of an Adviser provide you with information which may help you in determining whether to hire or retain an Adviser.

Additional information about Gardner Lewis Asset Management, L.P. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Gardner Lewis Asset Management, L.P. is 105033.

## **ITEM 2: MATERIAL CHANGES**

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This Brochure dated March 30, 2012 is an update to the Brochure dated March 25, 2011.

Since the date of our last Brochure the firm has begun an initiative to offer new investment strategies that have historically exhibited less correlation to the equity markets. These new options include real estate, energy, and private equity/venture capital. The firm will also continue its focus on active stock selection. Over the past year our focus on active rather than passive strategies has resulted in an expected decrease in assets under management. Since we believe that investors' broad embrace of passive strategies has created a significant number of opportunities, the firm has committed substantial internal capital to firm operations and the firm's employees have invested approximately \$100 million in the firm's products.

Currently, our Brochure may be requested by contacting the Client Services Group at (610) 558-2800 or [clientservices@gardnerlewis.com](mailto:clientservices@gardnerlewis.com). Our Brochure is also available on our website free of charge at [www.gardnerlewis.com](http://www.gardnerlewis.com).

Additional information about Gardner Lewis Asset Management, L.P. is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Gardner Lewis Asset Management, L.P. who are registered, or are required to be registered, as investment advisor representatives of Gardner Lewis Asset Management, L.P.

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#### **ITEM 4: ADVISORY BUSINESS**

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Gardner Lewis Asset Management, L.P. (“Gardner Lewis”), was founded in April 1990. The firm has been independent and 100% employee owned since inception. The Adviser is organized as a limited partnership. Gardner Lewis has one office located in Chadds Ford, Pennsylvania.

The general partner of the Adviser is Gardner Lewis Asset Management, Inc. The principal owner of the Adviser is W. Whitfield Gardner, Chairman and CEO of the General Partner. The firm does not have any business affiliations or joint ventures.

Gardner Lewis provides investment supervisory services and offers advice on:

- equity securities (exchange-listed securities, securities traded over-the-counter, foreign issuers),
- warrants,
- United States government securities,
- options contracts on securities,
- derivative contracts including equity swaps and interest rate swaps,
- oil & gas interests,
- real estate,
- private equity.

Gardner Lewis manages client accounts based upon the strategies offered by the firm. Clients may provide investment guidelines and impose restrictions on investments as described in Item 16.

As of December 31, 2011, Gardner Lewis managed \$325 MM on a discretionary basis and no assets on a non-discretionary basis.

#### **ITEM 5: FEES AND COMPENSATION**

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Growth separate account fees are charged quarterly in arrears at an annual rate of 100 basis points or 1% of assets.

Core Growth separate account fees are charged quarterly in arrears based upon the following standard schedule:

- first \$50 million – 85 bp,
- next \$100 million - 65 bp,
- balance - 50 bp.

Gardner Lewis also offers alternative investment strategies. These alternative investment strategies are offered at an annual rate of up to two percent of assets, quarterly in arrears, as well as up to 25% of profits on an annual basis (subject to certain performance hurdles including high water marks and in some cases the performance of the account exceeding the performance of a relevant benchmark). Performance fees are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940.

Gardner Lewis generally applies the fee schedule shown above consistently to client accounts rather than negotiating fees with individual clients. Gardner Lewis may at its sole discretion charge a lesser management fee or waive the account minimum based upon certain criteria (i.e. anticipated future earnings capacity, anticipated future additional assets, dollar amount of assets to be managed, historical

relationship, related accounts, account composition, or accounts referred by another professional); on occasion, the Adviser offers a fee schedule comprised of a base and incentive fee structure for long-only accounts.

Accounts below the separate account minimums stated in Item 7 may be commingled through investment in mutual funds or limited partnerships managed by Gardner Lewis. Gardner Lewis may accept individually managed accounts of less than stated minimums and may charge those accounts at a rate that is higher than these stated rates.

The client agreement specifies how fees are charged by Gardner Lewis. Clients are generally billed fees on a quarterly basis in arrears. Clients may elect to be billed directly for fees or to authorize Gardner Lewis to send invoices to their custodian for payment from their accounts. Management fees are prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter are charged a prorated fee. Upon termination any earned, unpaid fees will be due and payable. Clients are generally permitted to terminate contracts with the Adviser upon written notice to Gardner Lewis provided at some reasonable time (normally 30 days) prior to the effective date of such termination. In the event that the client does not provide notice as specified by the agreement, all terms, including fees due for the period will continue to be in force for the term of the agreement.

#### **Other Fees/Expenses**

Gardner Lewis' fees do not include brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients will incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees, and commissions are exclusive of and in addition to Gardner Lewis' fee, and Gardner Lewis shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Gardner Lewis considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Clients will incur brokerage and other transaction costs. Please refer to Item 12 for more information.

Neither Gardner Lewis nor its employees accept compensation for the sale of securities or other products.

#### **ITEM 6: PERFORMANCE BASED-FEES AND SIDE-BY-SIDE MANAGEMENT**

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In some cases, Gardner Lewis has entered into performance fee arrangements with qualified clients. These performance based fees are subject to individualized negotiation with the client. Gardner Lewis will structure any performance or incentive fee arrangement subject to Section 205(a)[1] of the Investment Advisers Act of 1940 (the "Advisers Act") in accordance with the available exemptions there under, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Gardner Lewis shall include realized and unrealized capital gains and losses.

Gardner Lewis provides investment supervisory services for a number of investment products that have varying investment guidelines. The same portfolio management team works across all investment products. For some of these investment strategies, the Adviser may be compensated based on the profitability of the account as described in Item 5. The allocation of a percentage of the client's gains to the Adviser may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case if such allocation were not made. In addition, these incentive compensation structures may create a conflict of interest for the Adviser with regard to other client accounts where the Adviser may have an incentive to allocate the investment ideas that it believes might be the most profitable to the client accounts where they might share in investment gains. The Adviser has implemented policies and procedures in an attempt to ensure that investment opportunities are allocated in a manner that is fair and appropriate to the various investment strategies based on the firms' investment strategy guidelines and individual client investment guidelines. When an investment opportunity is deemed appropriate for more than one strategy, allocations are generally made on a pro-rata basis as described in Item 12.

## **ITEM 7: TYPES OF CLIENTS**

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Gardner Lewis provides portfolio management services to:

- high net worth individuals,
- registered investment companies (e.g., mutual funds),
- corporate pension and profit sharing plans,
- private investment funds (e.g., hedge funds),
- charitable organizations,
- Taft-Hartley plans,
- state or municipal government entities,
- Limited Partnerships, LLCs, and similar entities.

Separate account minimums are as follows:

- Growth - \$10 million,
- Core Growth - \$10 million,
- Alternative Investments - \$25 million.

Accounts with assets below the stated minimums may be commingled through investment in the mutual funds or limited partnerships managed by Gardner Lewis. Gardner Lewis may accept individually managed accounts of less than stated asset minimums and may charge those accounts at higher than standard rates as described in Item 5.

## **ITEM 8: METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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### **Method of Analysis**

Gardner Lewis invests in three primary areas: growth equities, hedged equity, and other alternative investments. While each of these has their own unique attributes, all share a common research oriented, bottom-up approach.

Growth equity and hedged equity investment ideas are generated in-house by our research analysts. Bottom-up fundamental research is the basis of our stock selection process utilizing direct contact with

company management and industry leaders to gain insight into companies. Our investment ideas develop from these contacts. We strive to identify businesses whose fundamentals and earnings growth are not fully reflected in a company's stock price. Focus is placed on:

- growth rate,
- historic record,
- management expertise,
- financial strength,
- and current valuation.

An analysis of these factors is performed in conjunction with others, including an analysis of product positioning, industry conditions, and accounting methodology. We make investments in companies whose growth is spurred by an internal change such as a new product, distribution strategy, manufacturing technology, or management team. The merger arbitrage portion of our hedged offerings differs in that it assesses announced deals and primarily evaluates funding risk, legal risk, regulatory risk, deal rationale, and each party's commitment.

Our alternative investment strategies rely on internal analysis of specific projects including private equity investments in emerging organizations, real estate investment in particular properties or pools of property, or energy exploration opportunities focused in the U.S., along with the long-standing expertise of our partner firms that specialize in these areas.

### **Investment Strategy Risks**

For our growth equity strategies, the primary risks include individual security risk, market risk, and the risk of managing fairly concentrated portfolios, which could amplify the risks of individual positions.

Our hedged strategies evaluate the same risks, along with others more specific to each strategy. For our merger arbitrage strategy, the primary risk is the potential that an announced merger agreement could dissolve, resulting in potential losses in our investments related to the target companies and their respective acquirers. For our long-short equity strategies, the primary risks include those similar to our long-only investments, the risk that leverage could amplify negative investment decisions, and the risk that securities held as short positions could increase in value and cause material losses for investors.

Risk in our alternative investment strategies is primarily project or investment specific, with interest rates and energy pricing also influential as it relates to real estate and energy investment outcomes. Due to their more concentrated nature, these strategies can offer less opportunity to diversify risk.

### **Risk of Loss**

Investing in equity securities, hedge strategies, and alternative investments involves risk of loss that clients should be prepared to bear.

Any investment is subject to risks, including the possible loss of the principal amount invested. There can be no assurance that any strategy in which you are invested will be successful in meeting its investment objective. The following section describes the principal risks involved in investing with Gardner Lewis.

#### *Market Risk*

Investment performance will change daily based on many factors, including fluctuation in interest rates, the quality of the instruments in the portfolio, national and international economic conditions, and general market conditions.

#### *Internal Change*

Investing in companies that are undergoing internal change, such as implementing new strategies or introducing new technologies as described above, may involve greater than average risk due to their unproven nature.

#### *Market Segment Risk*

Investors are also subject to the risk that a market industry segment may underperform other equity market segments or the equity markets as a whole.

#### *Short-Selling Risk*

Short sale positions create the risk of theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying the securities necessary to cover a short position that consists of borrowed shares.

#### *Derivatives*

Some derivative products may employ leverage, which can cause investing in them to be more volatile.

#### *Investment Advisor Risk*

Gardner Lewis' ability to choose suitable investments has a significant impact on the ability of the strategies to meet their investment objectives.

#### *Regulatory risk*

Gardner Lewis' alternative strategies may also bear the risk of governmental legislation that fundamentally changes opportunities in energy exploration and residential mortgage investments. Opportunities to find specific unexploited drilling locations can be impacted by changes in U.S. energy policy for instance, while real estate mortgage investments can be affected by U.S. monetary policy and bank regulation. Certain aspects of our hedged strategies may also entail regulatory risk.

#### *Managerial risk*

The success of direct investment in private equity and venture capital projects can be heavily impacted by the quality of the management teams involved in the transactions. While public equity investments tend to have larger, longer standing, and more diverse leadership teams, entrepreneurial organizations can be much more reliant on the skills of specific visionary leaders. This risk, among others, is what also gives these projects high return potential.

### **ITEM 9: DISCIPLINARY INFORMATION**

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

### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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Gardner Lewis serves as Investment Adviser to The Chesapeake Funds. The Chesapeake Funds are open-end registered investment companies. Gardner Lewis employees serve as officers and directors of the Funds. Gardner Lewis also serves as Investment Adviser to private investment limited partnerships. An affiliate of the Adviser, Gardner Lewis Partners, LLC serves as the general partner of these partnerships.



These mutual funds and partnerships may be offered to clients on a non-discretionary basis outside of their account managed by Gardner Lewis.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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Gardner Lewis has adopted a Code of Ethics (the “Code”) 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, restrictions on the acceptance of significant gifts, reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees at Gardner Lewis must acknowledge the terms of the Code of Ethics annually, or as amended.

Gardner Lewis anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it will cause accounts over which Gardner Lewis has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Gardner Lewis, its affiliates and/or clients, directly or indirectly, have a position of interest. Gardner Lewis’ employees and persons associated with Gardner Lewis are required to follow Gardner Lewis’ Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Gardner Lewis and its affiliates may trade for their own accounts in securities that are recommended to and/or purchased for Gardner Lewis’ clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Gardner Lewis will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions that, at the same time, allows employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Gardner Lewis’ clients. In addition, the Code requires pre-clearance of many transactions and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Gardner Lewis and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Gardner Lewis’ obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Gardner Lewis will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order ticket.

Gardner Lewis manages accounts that include or are solely comprised of assets for the benefit of its officers, directors, employees, and related parties. When said accounts include the assets of non-affiliates, they will receive materially identical treatment to other non-directed institutional accounts managed by Gardner Lewis and will generally be aggregated with other non-directed institutional accounts when practical. Because these accounts are part of the institutional trading block of accounts, they can trade before, after, or in the same order as other non-directed institutional client accounts. As part of the institutional block, these accounts will generally trade before those client accounts that have directed all of their trading to a particular broker. If such an account contains only the assets of related

parties, that account will trade with or behind the client block but not in front of any client executions. Accounts with only related party assets will typically trade with client assets if the security being traded is not held or being traded for directed accounts.

Gardner Lewis' clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the Client Service Group at (610) 558-2800 or [clientservices@gardnerlewis.com](mailto:clientservices@gardnerlewis.com).

It is Gardner Lewis' policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Gardner Lewis will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Gardner Lewis does not exclude the securities of companies that are clients, affiliates of clients, or vendors of the firm from the investable universe of securities and may invest in those securities when it is deemed appropriate for accounts managed by the firm.

## **ITEM 12: BROKERAGE PRACTICES**

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### **Selecting Brokerage Firms**

Gardner Lewis generally has the authority to determine the broker, dealer or other counterparty through which securities are bought and sold, and the commission rates at which transactions are effected. In these circumstances, Gardner Lewis places and executes trades for the purchase and sale of securities for clients through a centralized trading desk. Traders have wide latitude to choose brokers to be used for each purchase or sale. Brokers are selected on a trade-by-trade basis based on their expected ability to provide best execution. As part of this process, Gardner Lewis traders evaluate a variety of factors to determine the broker-dealer that might be most effective in executing the order. The execution analysis is based on a number of factors including the following: the price paid or received for a security, the commission charged, the promptness and reliability of execution, the confidentiality and placement accorded the order, the security's trading characteristics, relative difficulty of execution, access to markets, expertise of the broker, and other factors affecting the overall benefit obtained. Gardner Lewis also considers capital commitments made by brokers to facilitate a trade along with the research services provided by brokers and attempts to allocate a portion of the brokerage business of its clients on the basis of those considerations.

Gardner Lewis aggregates or "blocks" trades where appropriate. In some circumstances, when trades are combined for accounts, a "step-out transaction" may be used where clearance and settlement functions, as well as a portion of the commission, may be allocated to a broker-dealer other than the executing broker-dealer. Not all clients that are party of a step-out transaction may derive a benefit from the portfolio of the trade being stepped out.

In most circumstances, unless otherwise specified and agreed to by clients, brokers are paid based on Gardner Lewis' negotiated commission rate schedule. Certain trades (such as those executed using

Electronic Crossing Networks, program trades, and very low priced securities) may be executed at lower than average rates.

Under certain circumstances and where permitted, Gardner Lewis may use a broker or a crossing network to cross securities from one client account to another at the current market price. Such cross transactions are most likely to occur when one account has a deposit and another has a withdrawal or when an initial public offering security is purchased for an account with restricted and non-restricted investors. Gardner Lewis does not cross trades without a broker or crossing network. Gardner Lewis does not have an affiliated broker and does not execute principal trades with client accounts.

### **Best Execution and Soft Dollars**

Gardner Lewis utilizes research and research-related products and other brokerage services on a soft commission basis. Primary consideration in effecting securities transactions is given to firms that provide useful research information in addition to meeting our other standards regarding best execution. Gardner Lewis makes a good faith determination that the amount of commission paid on transactions is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research/execution and other services which will help Gardner Lewis in providing investment management services to clients. Gardner Lewis may, therefore, use a broker who provides useful research and securities transaction services even though a lower commission may be charged by a different broker whose services are deemed less useful. As such, Gardner Lewis may have an incentive to select brokers based on the firm's interest in receiving research rather than receiving a more favorable commission rate. Trading is continually monitored as part of the firm's processes to manage this conflict. The Investment and Trading teams carefully balance the value of research versus the value of reduced execution cost in an effort to provide the client with the best overall investment return. Information regarding all of the research and brokerage services received by the firm is reviewed by the Brokerage Execution Committee at least quarterly. Third party services require pre-approval from a partner and Compliance and are reviewed on a quarterly basis by the Brokerage Execution Committee.

Research services may be useful in servicing all the firm's clients, and not all of such research may be useful for the account for which the particular transaction was effected. Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits.

Services received may include those that:

- price or evaluate securities,
- relate to the advisability of investing in, purchasing, or selling securities,
- keep the manager informed of market developments,
- facilitate contacts with company managements,
- assist on trading and settlement, and for periodic analysis of the firm's transaction execution quality.

Information provided on:

- the economy,
- industries,
- groups of securities,
- individual companies,
- statistical information,
- accounting and tax law interpretations,
- political developments,
- legal developments affecting portfolio securities,

- technical market action,
- pricing and appraisal services,
- credit analysis,
- risk measurement analysis,
- performance analysis,
- and analysis of corporate responsibility issues.

Such research services are received in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. In some cases, research services are generated by third parties but are provided to Gardner Lewis by or through brokers.

Some research information provided by brokers may, in turn, be shown to clients or potential clients in a manner that could be considered marketing. Where services are regularly used in this manner a mixed use of allocation is made as described below.

Gardner Lewis considers the amount and nature of research and research services provided by brokers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its clients on the basis of that consideration. In addition, brokers may suggest a level of business they would like to receive in order to continue to provide such services. The actual brokerage business received by a broker may be more or less than the suggested allocations, depending on the Adviser's evaluation of all applicable considerations.

Where Gardner Lewis receives administrative benefits along with research and brokerage benefits from the services provided by brokers, it makes a good faith allocation between the administrative benefits and the research and brokerage benefits, and will pay for any administrative benefit with firm assets. In making a good faith allocation between administrative benefits and research and brokerage services, a conflict of interest exists by reason of Gardner Lewis's allocation of the costs of such benefits and services between those that primarily benefit Gardner Lewis and those that primarily benefit its clients. Gardner Lewis maintains a written record of these mixed used allocation decisions and reviews ongoing services annually to confirm that allocations are still valid.

### **Brokerage for Client Referrals**

On occasion, Gardner Lewis may receive a client referral from a broker-dealer that Gardner Lewis uses to execute clients' securities transactions. Gardner Lewis may use such broker-dealer subject to Gardner Lewis' duty to seek best execution on clients' transactions. Gardner Lewis does not direct commissions to compensate for referrals.

### **Trade Order Aggregation**

Aside from client-directed trading restrictions, Gardner Lewis trades in the same securities for all client accounts in the same investment discipline and believes the aggregation of trade orders is the most equitable method to allocate security purchases and sales to all client accounts. Please see *Directed Brokerage* later in Item 12 for a discussion of the results of not participating in trade order aggregation. Where practical, Gardner Lewis generally aggregates or "blocks" trades for client accounts. The allocation process of aggregated trades is managed on the trading desk in an automated routine with the Trade Order Management System ("MOXY"). After the execution strategy has been planned by the portfolio manager, the trader inputs the order into MOXY to work out the mechanics of the order such as the number of shares to execute.

If a trade is not executed in its entirety, those shares that are executed are generally allocated among portfolios and products including accounts that hold both proprietary and non-proprietary assets using a pro-rata based process. On occasion when shares have been unevenly distributed in prior trades due to issues such as cash constraints, a level fill allocation methodology may be used. In some circumstances when the percentage of shares executed is very small and a pro-rata allocation is impractical, shares may be allocated on a random or cash available basis.

The investment process used by Gardner Lewis limits the amount of cash that is typically held in client accounts to a very low level. For this reason, cash can often be the driver of an allocation. This may cause accounts with low levels of cash to sell shares before accounts with a larger percentage of cash. Accounts with low levels of cash could also purchase shares later than accounts with a larger percentage of cash. Account size and account families may also affect the allocation procedure to some extent.

A pro-rata allocation distributes shares across all portfolios according to each portfolio's open order quantity in relation to other accounts participating in the allocation. In this methodology, an account that has a larger standard position size would get the same percentage of their total order filled as an account that has a smaller standard position size, which could result in some accounts getting a larger percentage based on the market value of the account. A level-fill allocation distributes shares so that all portfolios' current actual positions after the allocation of the security are as close to equal as possible and may take into account previous activity in the security. This allocation methodology could result in an account receiving a larger percentage allocation than other accounts in the aggregated trade on a given day if they had a smaller or no allocation from previous trades due to other constraints.

Gardner Lewis allocates executed orders among accounts by the end of each trading day. All accounts participating in an order receive the same average price per share and all accounts generally pay the same commission rate. Aggregated orders include institutional client accounts and accounts with Gardner Lewis affiliated assets, and do not include directed accounts. Directed accounts have trading requirements that limit brokerage choices and execution strategies, and are generally executed after the institutional client block has been completed. Institutional client accounts have brokerage guidelines that allow broader broker and execution choices. Please refer to Item 12 for more details.

In the event that a client directs Gardner Lewis to use a particular broker or dealer to execute all transactions (a "Directed Account"), commissions may not be negotiated and volume discounts and/or best execution may not be achieved. Under these circumstances a disparity in commission charges may exist between the commissions charged to a Directed Account and those clients that give Gardner Lewis discretion regarding the placement of orders for their accounts. Directed Accounts will generally execute their directed orders after the non-directed block orders have been completed and will not generally receive the same price per share as the institutional block of accounts. The execution strategy for the institutional block of accounts may involve staging executions over a period of time, which can result in dispersion in holdings and position sizes between institutional and Directed Accounts in addition to the dispersion in average prices and commissions. If the price of the security moves outside of the adviser's trading range during the purchase for the institutional block of accounts, that security may not be purchased for Directed Accounts.

### **IPO Allocation**

Initial Public Offerings ("IPOs") are allocated to client accounts based upon a variety of factors and consideration, including: suitability, available cash, and account size. As with the placement of all investment decisions in client accounts, suitability is one of the most significant factors that Gardner Lewis must consider when determining which accounts will receive an IPO allocation or participate in other limited investment opportunities. Suitability factors that are analyzed include market capitalization,

sector/industry and other risk characteristic weightings, risk/reward, ability to hedge risk, and expected length in holding. In the event that Gardner Lewis is not able to get the number of shares required to fill an IPO order for all accounts, the allocation may be made on a prorated or random basis.

### **Directed Brokerage**

When requested by clients in writing and where appropriate, Gardner Lewis may direct a portion of a client's trading to a broker or brokers that the client has selected for their commission recapture program. The percentage of the overall brokerage that is directed is dependent on a number of factors including, but not limited to, the type of mandate and the execution capabilities of the broker/dealer selected. Step-out transactions may be used to accommodate such client trading direction. Gardner Lewis attempts to fulfill client direction requests, but there is no guarantee that they will be fully satisfied. In some circumstances, the broker selected by the client may not offer the lowest commission rate, and the client would pay a higher rate than would have been negotiated by Gardner Lewis. However, the services provided by the broker to the account may offset expenses that the account would otherwise pay.

In the event that a client directs Gardner Lewis to use a particular broker or dealer to execute all transactions, commissions may not be negotiated and volume discounts and/or best execution may not be achieved. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to a client who directs that their transactions are placed with a particular broker and those clients who give the Adviser discretion to place orders for their accounts. Accounts that have directed execution requirements will generally execute their directed orders after the non-directed block orders have been completed and will not generally receive the same average price per share as the institutional block of accounts. The execution strategy for the institutional block of accounts may involve staging executions over a period of time, which can result in dispersion in holdings and position sizes between institutional and directed accounts in addition to the dispersion in average prices and commissions. As a result of these factors, the performance of these directed accounts may be different than the accounts of those clients who give the Adviser the discretion to place their orders. In addition, these clients will not receive IPO allocations except as their broker may accommodate them.

When the client has directed all of their brokerage to a particular broker, these accounts (directed accounts) will trade in rotation. This rotation is dictated by factors such as: the order of the rotation from the previous trade, the desire to keep ticket counts to a minimum when practical and time constraints with respect to market close. There may be pricing discrepancies that occur as a result of this practice.

### **Error Correction**

Gardner Lewis has procedures in place to review and correct any errors that are made in client accounts. Under no circumstances may a client be disadvantaged nor may commissions be used to correct an error made by Gardner Lewis or its employees. Best efforts are made to resolve all errors in a timely manner. Errors are documented and reviewed by Compliance. If appropriate, procedure changes are implemented to prevent future errors.

## **ITEM 13: REVIEW OF ACCOUNTS**

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### **Periodic Reviews**

All Gardner Lewis clients within a particular product category share similar investment objectives (with minor restrictions on a few accounts). For this reason, each individual client's holdings are evaluated in conjunction with others within their respective investment strategy groups on a continuous basis.

Portfolio weightings and allocations are continuously reviewed as buy and sell decision are effected. Portfolios are typically reviewed at least weekly. Reviewers include the firm's principals as well as members of the research and trading staff. Reviews are intended to ensure fundamental strength as well as proper position, weighting, and performance.

As part of our risk management process, all portfolios are reviewed on a regular basis to ensure compliance with strategy guidelines. Any potential exceptions are reviewed and corrected as appropriate.

In addition, Compliance reviews portfolio holdings and account dispersion to ensure that accounts are treated fairly and in compliance with any investment guidelines that have been provided by the client as described in tem 16.

#### **Other than Periodic Reviews**

Cash flows trigger a review of holdings and sector weightings to ensure that the account remains consistent with our model after the movement of cash. The purchase of a security that is not currently held in client accounts will trigger a review of portfolios with investment guidelines to confirm that the security does not violate the guidelines of the portfolio. Buying or selling an existing portfolio name would also cause a review of accounts, to confirm we are consistent with the client's objectives and guidelines.

#### **Regular Reports to Clients**

Clients with individually managed accounts receive at least quarterly statements from the Adviser and monthly statements from their custodian. Limited partners invested in partnerships and mutual fund clients receive valuations at least quarterly.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

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Gardner Lewis does not have any arrangements, oral or in writing, where it is paid cash by or receives some economic benefit (including commission, equipment, or non-research services) from a non-client in connection with giving advice to clients. The Adviser does not directly or indirectly compensate any person for client referrals.

### **ITEM 15: CUSTODY**

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Gardner Lewis does not have an affiliated custodian or broker dealer and does not accept cash or securities for deposit under any circumstances. Gardner Lewis has procedures in place to direct employees regarding the process to follow if client property is received by the firm.

Gardner Lewis is deemed to have custody of client assets since some of the firm's clients have requested that Gardner Lewis forward invoices for investment management services directly to their custodian. In addition, Gardner Lewis serves as Advisor to limited partnerships where an affiliate of the Advisor is the general partner.

Clients of Gardner Lewis typically select their own custodians. It has been the experience of Gardner Lewis that its clients have selected qualified custodians. Since the definition of qualified custodian in the

rule includes the types of financial institutions that clients customarily turn to for custodial services, it is reasonable to expect this will continue to be the case in the future.

The amended custody rule requires Gardner Lewis to have a reasonable belief that the qualified custodian holding the assets of a client provides periodic statements to such clients. Gardner Lewis confirms the same with all custodians with the exception of registered investment companies and the pooled investment vehicles (limited partnerships) managed by the firm where an affiliate of the adviser is the general partner. Gardner Lewis does not comply with the reporting requirement of the custody rule for such pooled investment vehicles, but such vehicles are audited at least annually by a Public Company Accounting Oversight Board (“PCAOB”) entity or member. Audited financial statements prepared in accordance with generally accepted accounting principles are distributed to all limited partners within 120 days of the fund’s fiscal year-end or upon liquidation should it occur prior to the fund’s fiscal year-end.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains their investment assets. Gardner Lewis urges clients to carefully review such statements and compare such official custodial records to the account statements that we may provide. Gardner Lewis statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **ITEM 16: INVESTMENT DISCRETION**

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As noted in Item 4, Gardner Lewis usually receives discretionary authority from the client at the outset of an advisory relationship, as a part of our advisory agreement, to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account, if any exist. Clients may place limits and/or restrictions on the ability to purchase particular securities or types of securities.

Any investment guidelines and restrictions must be provided in writing to Gardner Lewis.

#### **ITEM 17: VOTING CLIENT SECURITIES**

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It is the intent of Gardner Lewis to vote proxies in the best interests of the firm’s clients. Gardner Lewis receives proxy voting and corporate governance advice from Glass Lewis to assist in the due diligence process related to making appropriate proxy voting decisions. Gardner Lewis uses the Glass Lewis Standard Policy unless otherwise requested by the client. In the vast majority of circumstances, proxy issues are voted in accordance with Glass Lewis recommendations.

Gardner Lewis has a Proxy Committee (“Proxy Committee”) comprised of senior level employees. In those circumstances where the Portfolio Manager or Analyst who covers a security for Gardner Lewis determines that they wish to vote contrary to Glass Lewis’ recommendations, the Proxy Committee reviews the issue for potential conflicts of interest and makes the final decision regarding how shares will be voted. If a conflict of interest is believed to exist, the Proxy Committee will direct that the proxy issue must be voted with Glass Lewis’ recommendation.



Clients may request a full copy of this policy or information regarding how proxies relating to their securities were voted by contacting Gardner Lewis directly at (610) 558-2800 or [clientservices@gardnerlewis.com](mailto:clientservices@gardnerlewis.com)

## **ITEM 18: FINANCIAL INFORMATION**

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