

Reaves Asset Management

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Form ADV Part 2A Firm Brochure

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This Brochure provides information about the qualifications and business practices of W. H. Reaves & Co., Inc. (dba: Reaves Asset Management). If you have any questions about the contents of this brochure, please contact David M. Pass, our Chief Compliance Officer, at 1-201-793-2364 or at dpass@whreaves.com.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (S.E.C.) or by any state securities authority. Additional information about Reaves Asset Management is also available on the S.E.C.'s website at: www.adviserinfo.sec.gov. The searchable IARD/CRD number for Reaves Asset Management is: 3140.

Any references to Reaves Asset Management as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission (S.E.C.) published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by S.E.C. Rules. This Brochure, dated February 28, 2011, is a new document prepared according to the S.E.C.’s new requirements and rules. As such, this Brochure is materially different in structure and requires certain new information that our previous Brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide our clients with a summary of such changes. We will also reference the date of the last annual update of our Brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new S.E.C. Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure when requested or as necessary, based on changes and/or new information, without charge.

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Item 4 – Advisory Business

Reaves Asset Management (“Reaves”, “the Firm”) has been in business since 1961 and is based in Jersey City, New Jersey. The Firm is incorporated under the name W. H. Reaves & Co., Inc. under the laws of the State of Delaware. Reaves does not have any subsidiaries, affiliated companies or joint ventures. Reaves is an employee-owned firm with no one individual owning 25% or more of the Firm.

The Firm’s Founder, William H. Reaves, built on his experience and knowledge of the utilities industry to create the framework for our research-driven investment philosophy that serves as the Firm’s foundation. In 1978, Reaves began managing its first institutional account focused exclusively on the utility and infrastructure sectors.

Today, more than five decades later, Reaves remains committed to the principles of our founder as an employee-owned, research-based investment management company still specializing in key infrastructure related industries such as utilities, energy and telecommunications.

The cornerstone of the Firm is our proprietary research. Reaves’ team of Analysts average over 20 years of industry experience. Reaves seeks to utilize this resource to create an informational advantage among a defined set of complex industry sectors.

As of 12/31/11, Reaves managed \$2,153,038,251 of clients’ assets on a discretionary basis. Reaves does not currently manage any assets on a non-discretionary basis.

Reaves provides its investment advisory clients with portfolio management services. Portfolios are invested primarily in listed equities in the energy, electric utilities, telecommunications, gas utilities, water utilities sectors and the companies that support these industries. Most of these companies have historical track records of paying dividends and in many cases, increasing these dividends.

The Firm may invest in the following types of investments: U.S.-exchange listed securities, securities traded over-the-counter, securities trade in non-U.S. markets (foreign), commercial paper, corporate debt securities (other than commercial paper), mutual fund shares, U.S. government securities, option contracts on securities, interests in partnerships investing in real estate and oil and gas interests.

The Firm currently offers three investment strategies (as described in Item #8) within its area of specialization: Long Term Value, Current Income and Inflation Hedge.

Clients may request broader mandates, or specific investments including, but not limited to, preferred stocks, corporate debt instruments and investments in additional industry sectors. Additionally, clients may impose restrictions on investments in certain securities or types of securities.

Reaves' research is for our internal use only. Reaves does not publish research reports or any other publications, nor does it receive any fees for such activities.

In addition, Reaves may furnish investment advice through consultations. The Firm also provides portfolio models in sub-advisory relationships (Unified Managed Accounts, "UMA's), where Reaves is the sub-advisor. In these cases, the Counter-Party Manager (CPM) has full discretion on the actual transactions for their client(s). Reaves is paid based on the portion of the assets attributable to Reaves' model. This represents a de minimus portion of the Firm's advisory revenues.

The Firm also participates in arrangements generically known as "Wrap Fee Programs" with several investment and/or brokerage firms (the "Wrap Sponsors"). In these programs the Wrap Sponsor may impose a single charge for a variety of services that may include a combination of some of the following: investment consulting, custodial services, trading, and portfolio management services from Reaves, as well as other investment advisors, exclusive of fees and taxes that may be mandated by law.

The overall cost you will incur if you participate in a Wrap Fee Program may be higher or lower than you might incur by separately purchasing the types of securities available in the program. To compare the cost of the wrap fee program with non-wrap fee portfolio management services, you should consider the frequency of trading activity associated with our investment strategies and brokerage commissions that would be charged by executing broker-dealers along with any applicable advisory fees.

For Wrap Program accounts Reaves may have responsibility for the execution of transactions with no commission being charged; however, trades affected within these programs will be settled at the broker/dealer or bank custodian as per the direction of the Wrap Sponsor. In these cases, where Reaves acts as executing broker, Reaves assumes the associated execution costs.

Item 5 – Fees and Compensation

Reaves advisory fees are negotiable. Compensation arrangements may vary depending upon the nature of the client and the investment strategy selected.

In general, advisory fees are charged quarterly, in arrears, at the end of each calendar quarter, unless otherwise specified in the client's advisory contract. Fees are normally based on the total market value of the account, including accrued income, as of the close of business on the last business day of each calendar quarter, payable upon receipt of an invoice, which is usually mailed to clients within three weeks following the quarter end. Some account fees, based on individual contractual agreements, are charged in advance at the start of each billing period (monthly or quarterly). Clients may elect to be billed directly for fees or to authorize Reaves Asset Management to directly debit fees from their accounts. The billing method may depend on the policies of the clients' custodian.

For periods of less than a full calendar quarter, the advisory fee will be adjusted to reflect only the number of days during the quarter for which the account was under management. The advisory fee will also be adjusted to reflect any material additions to, or withdrawals from, the account. The adjustment is based on the number of days during the quarter the amount of the addition or withdrawal was under management, using the lowest applicable marginal rate(s).

Reaves Asset Management's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other third parties such as fees charged by managers, custodial fees, deferred sales charges, 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 Reaves Asset Management's fee, and, except where Reaves is the executing broker/dealer, Reaves shall not receive any portion of these commissions, fees and costs.

Item 12 further describes the factors that Reaves considers in selecting or recommending broker-dealers for our clients' transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Reaves Asset Management's Standard Advisory Fee Schedules:

Advisory fees are negotiable. Compensation arrangements may vary depending upon the nature of the client and its investment account.

LONG TERM VALUE STRATEGY Fees (Negotiable)

Annually

1.000%

0.750%

0.500%

Quarterly

0.2500%

0.1875%

0.1250%

For Accounts Valued

Up to \$75,000,000

on the first \$2,000,000;

on the next \$3,000,000;

on the next \$70,000,000.

Annually

0.500%

0.300%

Quarterly

0.1250%

0.0750%

For Accounts Valued

In Excess of 75,000,000

on the first \$200,000,000;

on any amount thereafter.

CURRENT INCOME STRATEGY Fees (Negotiable)

Annually

1.250%

Quarterly

0.3125%

INFLATION HEDGE STRATEGY FEES (Negotiable)

Annually

1.000%

Quarterly

0.2500%

If a client has established, or at a future date establishes, additional segregated account(s) with Reaves, creating a group ("family") of accounts, the advisory fee rate for the original account, as well as the additional account(s), will be based on the aggregate value of the group in accordance with the provisions stated above. This computation will afford all accounts in the group the benefit of the lowest applicable marginal fee rate. The advisory fee invoices will be itemized to reflect each account's individual advisory fee based on its respective proportionate weight in the group.

Reaves as Executing Broker:

In the regular and ordinary course of its business as a registered broker-dealer, Reaves effects transactions in equity securities, U.S. Government Bills, Bonds and Notes and some Corporate Debit instruments, as an executing broker dealer through Pershing, LLC. Such transactions are done on an agency basis only; no agency-cross trade transactions are executed.

The maximum commission rate charged by Reaves on such transactions is \$ 0.10 per share with a minimum commission charge of \$35.00. Institutional clients are generally charged a maximum rate of \$0.05 per share. All commission rates are disclosed to, and agreed upon by, each client in writing and are negotiable.

Termination of Contract:

A client may terminate an investment advisory contract at any time by giving Reaves written notice of such termination, subject to the terms of the contract then in effect.

In the case of a client that pays investment advisory fees in advance and terminates the investment advisory contract prior to the completion of a calendar quarter, a refund will be sent to the client within 30 business days of the date of termination. The refund, based on the prorated fee, will reflect the number of calendar days from the effective date of termination up to and including the last day of the quarterly period. Refunds are also subject to each investment advisory agreement then in effect.

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

Reaves Asset Management does not charge performance-based fees.

Item 7 – Types of Clients

Reaves provides investment management services to the following types of clients: endowments, foundations, insurance companies, electric public utility nuclear decommissioning trust funds, other institutions, defined benefit and contribution plans (“ERISA”), high-net-worth and other individuals.

Reaves Asset Management’s account minimums are \$5,000,000 for institutional clients and \$1,000,000 for individuals. The Firm reserves the right to waive these minimums.

In addition, in February 2004, at the Fund's inception, Reaves entered into an investment advisory relationship with the Reaves Utility Income Fund. This Fund is a closed-end management investment company registered under the Investment Company Act of 1940. Its shares are traded on the American Stock Exchange under the symbol UTG. More information is available on the Fund's website, www.reavesutilityIncomefund.com.

Also, in December 2004, at the Fund’s inception, Reaves entered into an investment advisory relationship with the Reaves Select Research Fund (“RSRF”). This open-end mutual fund was initially funded on December 22, 2004 with an institutional class of shares (symbol: RSRFX). Registration for Class “A” shares (RSRAX) for this fund were initially effective on March 31, 2005 (for a period of time these class “A” shares were re-classified as Investor Class Shares but are currently registered as “A” shares). The Fund is managed consistent with the Firm’s Long Term Value Strategy. A prospectus and/or information about the Fund can be obtained by calling 1-866-342-7058.

In October 2011, Reaves entered into a sub-advisory relationship with Principal Financial Group to manage the publicly-listed infrastructure portion of their Principal Global Diversified Income Fund (PGBAX, PGDCX and PGDPX). A prospectus and/or information about the Fund can be obtained at principalfunds.com.

Reaves also maintains sub-advisory relationships with Gordon Asset Management, Envestnet, Sterne Agee (WealthCore program) Stifel, Nicolaus & Co., Inc., Morgan Stanley and a solicitor relationship with Sontag Advisory, LLC, where Sontag refers some of their investment advisory clients to Reaves. Many of these accounts are held at Charles Schwab (the custodian). Sterne Agee, Stifel, Nicolaus and Morgan Stanley hold their own accounts. Some of the "Sontag accounts" utilize Fidelity as a custodian. Envestnet accounts are held at Fidelity, Pershing, Schwab or Ameriprise. Reaves may also act as broker for these accounts at a commission rate not to exceed \$0.07/share (some accounts are fee based only and do not pay any commissions). The minimum size for these “sub-advisory” accounts is \$100,000 (\$200,000 for Sterne Agee and Envestnet accounts). The minimum size for "Sontag accounts" is generally \$125,000. Reaves’ portion of advisory fees for these sub-advisory and referral accounts are negotiable but generally do not exceed 65bp annually. Reaves’ fee does not include any fees that may be due to or charged by these other introducing advisory firms.

In addition, Reaves participates in Network programs with dual-contract agreements. These clients execute agreements with the Network program sponsor as well as directly with Reaves. Reaves currently has this relationship with the Wells Fargo Advisors Network Program, Cornerstone, Fidelity and Oppenheimer. Wells Fargo accounts are cleared and held at First Clearing, LLC; Cornerstone accounts are cleared and held at Schwab while Fidelity and Oppenheimer custody their own accounts. Reaves' fees for accounts in these programs are negotiable but generally do not exceed 65bp annually.

Reaves also maintains relationships with other investment organizations where Reaves is a sub-advisor and provides model portfolios (UMA) to the Counter-Party Manager (CPM). In these relationships the CPM has full discretion on the actual transactions for their client(s). Reaves' fees under these sub-advisory relationships are negotiable but generally do not exceed 40bp (the amount paid to Reaves by the CPM). Reaves currently provides model portfolios to Prudential and Placemark Investments.

Additionally, Reaves participates in arrangements generically known as "Wrap Fee Programs" with several investment and/or brokerage firms (the "Wrap Sponsors"). In these programs the Wrap Sponsor may impose a single charge for a variety of services that may include a combination of some of the following: investment consulting, custodial services, trading, and portfolio management services from Reaves, as well as other investment advisors, exclusive of fees and transfer taxes mandated by law.

For Wrap Program accounts Reaves may have responsibility for the execution of transactions with no commission being charged; however, trades affected within these programs will be settled at the broker/dealer or bank custodian as per the direction of the Wrap Sponsor. In these cases Reaves assumes the associated execution costs. Reaves currently participates in the following Wrap Programs:

<u>Wrap Sponsor</u>	<u>Custodian</u>	<u>Wrap Program</u>
NBC Securities	RBC Dain	Professional Asset Management Program (ProAm)
Prudential Investments	RBC Dominion	Access
Lockwood Advisors, Inc.	Pershing	Wealth Management
Charles Schwab	Charles Schwab	Managed Account Connection (MAC)

Reaves' Wrap account minimum asset size is \$100,000 though Reaves reserves the right to waive this minimum. Potential investors in these Wrap programs are advised to contact the Wrap Sponsors directly to obtain complete information regarding their respective programs and applicable fees.

Reaves also manages other non-fee paying accounts on a discretionary basis.

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

Reaves' investment decision-making process is a combination of top down macro-analysis¹ and bottom-up stock selection². Investment decisions are driven by fundamental research and an assessment of the relative value of each investment.

All equity research and analysis is generated internally by a staff of experienced professional analysts. The Firm's analysts currently average over 20 years' experience in the investment business and in association with the public utility or energy industries.

The main sources of information the analysts utilize include, but are not limited to: financial newspapers and magazines, inspections of corporation activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities Exchange Commission, company press releases, etc. Reaves' research analysts also meet with company officers and attend security analyst meetings. The analysts depend on their relationships with company management and regulators for detailed information about the securities and industries the analysts cover.

Investing in securities involves risk of loss that clients should be prepared to bear.

Different types of investment involve varying degrees of risk and it should not be assumed that future performance of any specific investment strategy (including the investments and/or investment strategies recommended or undertaken by Reaves) will be profitable or equal to any specific performance level(s).

Though, Reaves' methods of analysis and investment strategies do not represent any significant or unusual risks, every method of analysis has its own inherent risks. To perform an accurate market analysis Reaves must have access to current market information. Reaves has no control over the dissemination rate of information; therefore, unbeknownst to Reaves certain analyses may be compiled with outdated information, which could limit the value of Reaves' analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Past performance is no guarantee of future results.

¹Macro-analysis is a method of analysis that involves looking at the "big picture" first and then analyzing the details of smaller components.

²Bottom-up stock selection is a type strategy which focuses on individual securities and picking those that are undervalued.

Reaves' investment strategies include:

LONG TERM VALUE STRATEGY

Reaves Asset Management's Long Term Value Strategy seeks a high risk-adjusted total return³. The strategy focuses attention on select areas of the broad equity market which we believe are vital to the long-term prosperity of the economy. Primarily, we focus on the electric and gas utility, energy, telecommunications and other infrastructure sectors of the S&P 500⁴. These sectors have historically had relatively low price-earnings multiples, relatively high dividend yields and growing dividends. Within these sectors, the strategy tends to invest in relatively larger companies with strong balance sheets, good cash flow and a history of dividend growth.

Reaves believes it has a unique investment strategy that is designed to achieve attractive returns with less correlation⁵ and lower volatility than the broad equity market. Core positions are accumulated in financially strong, high quality, companies and generally have the following characteristics: strong management, above industry-average growth rates, large/mid market capitalization and low price/earnings multiples. Managed portfolios also tend to have low betas⁶, high dividend yields and favorable dividend growth prospects. Approximately 250-300 companies comprise the initial universe of securities with 35-55 selected for client portfolios. The top 15 holdings can account for as much as 75% of portfolio values.

Reaves believes that an information advantage can be created when experienced analysts focus their fundamental, quantitative and qualitative bottom-up research⁷ on select, complex industry sectors. During weekly formal research meetings investment merits of covered companies are evaluated.

Companies whose financial characteristics, management strength and dividend policy meet portfolio requirements, are targeted for a more intensive evaluation including on-site visits.

³Risk-adjusted return is a concept that refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating. There are five principal risk measures: alpha, beta, r-squared, standard deviation and the Sharpe ratio. Each risk measure is unique in how it measures risk.

⁴The S&P 500 Index is a capitalization-weighted, composite index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

⁵Correlation is the degree of association between two variables. It is used to predict the value of one variable when given the value of the other.

⁶Beta measures a portfolio's volatility relative to the market as a whole. A beta higher than 1.0 has historically been more volatile than the benchmark, while a portfolio with a beta lower than 1.0 has been less volatile.

⁷Quantitative research is an analysis technique that seeks to understand behavior by using complex mathematical and statistical modeling, measurement and research. Qualitative research is an analysis technique based on non-quantifiable information such as management expertise, industry cycles, strength of research and development.

Dividends and dividend policies are crucial to Reaves' strategy. High dividend-paying companies often enforce the financial discipline that supports a growing business. Investing in growing companies that also pay consistent and increasing dividends is our life's work. Reaves views each company's dividend policy as an internal financial benchmark. Companies that reach or exceed that benchmark are selected for a potential portfolio role. Final investment evaluations determine whether a candidate would contribute to the portfolio's risk-adjusted return.

Reaves' Long Term Value style seeks to be disciplined and risk efficient. Low volatility, correlation⁸, R-squared⁹ and similar statistics have remained consistent for 34 years.

Our portfolios can assist in improving plan information ratios¹⁰ and complement more aggressive investment styles. Critical to our philosophy is investing in companies that usually generate above average earnings per share (EPS) growth.

Historically, in most instances, Reaves' portfolios have provided attractive returns in improving markets while outperforming in declining markets. Principal preservation is emphasized.

CURRENT INCOME STRATEGY

The investment objective is to provide a high level of after-tax income and total return consisting primarily of tax-advantaged dividend income and capital appreciation. The strategy allows for periodic withdrawals of earned income.

Securities are chosen from the universe of companies currently researched by Reaves' analysts for our Long Term Value Strategy. Bonds, preferred stocks and related Master Limited Partnerships ("MLP's") may be used to supplement the core common stock holdings typically found in our Long Term Value Strategy portfolio.

The total return in the Current Income Strategy is expected to be lower than in the Long Term Value Strategy as above-average income is often achieved at the expense of earnings growth. Also, due to the expected withdrawal of income, less funds would be available for reinvestment than with our typical Long Term Value Strategy portfolio. In addition, some of the securities that would be used in this strategy may not be as liquid as the large-cap common stocks normally utilized by Reaves; as such, the trading of such securities would be more limited and may produce lower total return results.

⁸ Correlation is the degree of association between two variables. It is used to predict the value of one variable given the value of the other.

⁹R-squared is a concept that refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating. There are five principal risk measures: alpha, beta, r-squared, standard deviation and the Sharpe ratio. Each risk measure is unique in how it measures risk.

¹⁰The information ratio is a measure of portfolio's performance against risk and return relative to a benchmark or alternative measure.

INFLATION HEDGE STRATEGY

The Inflation Hedge Strategy seeks preservation of capital in an inflationary environment and/or in a period when paper money is being debased around the world. This strategy utilizes equity securities some of which are traditionally found in our Long Term Value Strategy. In addition, we may utilize exchange-traded funds (ETF's), exchange-traded notes (ETN's) and metal and mining stocks. In contrast to our Long Term Value Strategy, dividends and dividend growth are not as heavily emphasized given the relatively lower dividend yields or absence of dividends paid by commodity-focused companies.

In contrast to the experience of the portfolios in the Long Term Value Strategy, we expect portfolios in the Inflation Hedge Strategy to experience greater volatility. The greater volatility derives from the sensitivity to interest rate expectations, inflation expectations, expectation for global economic growth and confidence or lack of confidence in government policy.

Portfolios employing this strategy will be concentrated and may tend to have fewer positions (i.e., 25 or less). We expect the average cash balance will be higher, on average, as compared to other Reaves' strategies, as cash is viewed as "opportunity money" to benefit from price fluctuations of portfolio holdings which may present the opportunity to realize capital gains.

Item 9 – Disciplinary Information

Reaves Asset Management has no disciplinary information to report.

Item 10 – Other Financial Industry Activities and Affiliations

The Firm is a registered broker/dealer and engages in brokerage-related activities.

Reaves Asset Management introduces some investment advisory clients, as well as brokerage-only accounts, to Pershing, LLC on a fully-disclosed basis, with Reaves also acting as an executing broker. Reaves entered into a fully-disclosed correspondent clearing agreement with Pershing in 2009 and all associated customer assets were transferred to Pershing in December 2009. Although Reaves no longer acts as custodian, certain investment clients have and do authorize Reaves to deduct its advisory fees directly from their investment account.

Item 11 – Code of Ethics

Reaves has adopted a Code of Ethics Policy. The Code sets forth a standard of business conduct for the Firm and all employees of the Firm. The purpose of this Code is to set out ideals for honesty, integrity, openness and trust for the Firm and its personnel to espouse in the interests of the Firm and investor protection. In particular the Code is designed to:

- Place the interests of the clients first
- Avoid taking inappropriate advantage of their position
- Conduct all “personal” or “related” account securities transactions in full compliance with this code and Reaves’ Employee Trading Policies
- Adhere to all applicable laws and regulations and internal policies

In an effort to meet the above obligations that our employees are expected to follow Reaves’ policies and procedures include, but are not limited to, guidelines in the following areas: personal securities transactions and reporting, insider trading, anti-money laundering, conflicts of interest/outside business activities, political contributions, confidentiality and disclosure of information, gifts and record keeping.

The complete text of Reaves Asset Management’s Code of Ethics is available upon request. Please contact Reaves’ Compliance Department at 1-800-732-8374.

As a matter of policy, Reaves does not execute agency cross transactions¹¹ for our clients. However, if Reaves decides to change this policy, any agency cross transactions would only be executed with prior written permission from the client(s). If necessary, Reaves’ procedures would be designed to ensure that all cross-transaction trades would be effected in compliance with all applicable securities laws.

Reaves is also a registered broker/dealer. The Firm acts as executing broker for equity trades for many of its clients. When applicable, authorization to act in this additional capacity is provided under each client's investment advisory agreement. Generally, trades are executed through Pershing using an unaffiliated stock exchange floor broker, thru ECN's¹² and other trading venues made available to us by Pershing. The Firm uses its best efforts to obtain prompt execution of orders at the most favorable prices reasonably obtainable. Transactions for affiliated accounts, such as the W.H. Reaves Profit Sharing Trust (see below), in securities effected for investment advisory clients may be undertaken; provided, however, that client accounts receive time and price preference.

¹¹ An agency cross transaction occurs when one broker acts for both the buyer and the seller for a particular transaction.

¹² An ECN is an Electronic Communication Network which brings buys and sellers together for the electronic execution of trades.

Reaves maintains an employee Profit Sharing Trust (“PST”). Most current and some past employees are participants in the Trust. The PST's holdings and transactions are similar to Reaves’ Long Term Value Strategy. As such, the PST may purchase or sell the same securities as Reaves transacts for its investment advisory clients. At this time, all PST transactions are executed by Reaves as an executing broker. When the PST is buying or selling the same security as Reaves may transact for an investment advisory client (with Reaves as broker), the PST transaction may be averaged into the advisory client share allocation (when the PST has received a better price).

When any advisory client’s transactions receive a better price than the PST trade, the PST's inferior transaction (price) will stand, with no change made to the advisory client’s transaction. In keeping with Reaves's fiduciary responsibility to its advisory clients any planned PST transaction will be delayed, when necessary, until after advisory client transactions have been completed (i.e. in thin or illiquid securities). Reaves has not, nor will it, execute or cause to execute any cross trade where Reaves' PST is one of the parties. Also, as stated previously, Reaves does not execute trades as a broker for its investment advisory clients on a principal basis. The current trustees of the Reaves Profit Sharing Trust are Ronald Sorenson, William Ferer and John Bartlett, all officers of Reaves. These individuals are also portfolio managers for various investment advisory accounts.

Concerning trading errors, it is not the intention of Reaves to benefit from any trade error. In instances where the trade error results in a benefit, that benefit will be credited to the client, where the client is permitted to receive such benefit. A client will not receive the benefit of a profitable trade error if the security in question was never intended for the client's portfolio (i.e. incorrect security was purchased or sold). In every instance where Reaves exercises its discretionary authority and a trade error results in a loss, Reaves will cover such loss; it will not be the responsibility of the client. In instances where the client is not permitted to receive the benefits of a trading error, for example, when the client's account balance would not have permitted the client's purchase of the security, the benefit will be placed in a trade error account.

Privacy Policy

Reaves Asset Management had always worked hard to maintain the highest standards of confidentiality and to respect the privacy of our client relationships.

The non-public personal information we collect about our clients comes primarily from the account applications and other forms submitted to us. We may also collect information about our clients’ transactions and experiences with us or others relating to the products or services we provide. Also, depending on the products or services required, we may obtain additional information from customer reporting agencies.

We do not disclose customer information to anyone, except as necessary to supply the products and services requested by each client and as permitted by law or required by law. This may include sharing your information with non-affiliated companies that perform support services for

client accounts or process transactions with us. Additionally, it may include disclosing information pursuant to a client's express consent or to comply with applicable laws and regulations.

We limit access to customer information to those of our employees and service providers who are involved in offering or administering the products or services that we offer. We maintain physical, electronic and procedural safeguards that are designed to comply with federal and state standards to guard such information. If a relationship ends, we will continue to treat the information as described in this Privacy Policy.

Item 12 – Brokerage Practices

Reaves regularly acts as executing broker for investment advisory clients in equity securities transactions. When applicable, authorization to execute transactions, at agreed upon commission rates, is provided under each client's investment advisory agreement. Reaves believes that these execution services on behalf of its clients is an important factor in the clients' achieving the most favorable net results in terms of quality of execution (price) and cost to clients, in view of its long experience and expertise in its area of specialization.

If at any time, Reaves were to determine that orders for securities transactions should be placed with another broker dealer in order to achieve the most favorable net results for our clients, such broker would be selected based upon its financial responsibility, charges and execution capability for the particular security involved. The criteria for selecting such a qualified broker dealer may also include, along with trade execution services, brokerage and research services and products as defined in Section 28(e)¹³ “safe harbor” of the Securities Exchange Act of 1934 (“Services and Products”). Such services and products may include fundamental research reports, current market data and news, technical and portfolio analysis, economic forecasting and interest rate projections, and historical information on securities and companies. Reaves’ Brokerage Committee is responsible for the evaluation and selection of brokers and the maintenance of an approved broker list. The broker selected for each transaction is chosen by Reaves’ traders from the approved broker list.

In the regular and ordinary course of its business as a registered broker-dealer, Reaves effects transactions in equity securities, U.S. government bills, bonds and notes and some corporate debt instruments, as an executing broker dealer through Pershing, LLC. Such transactions are done on an agency-only basis; no agency-cross trade transactions are executed.

The maximum commission rate charged by Reaves on such transactions is \$ 0.10 per share with a minimum commission charge of \$35.00. Institutional clients are generally charged a maximum rate of \$0.05 per share. All commission rates are disclosed to, and agreed upon by, each client in writing and are negotiable.

Consistent with its fiduciary duties, Reaves allocates trades on an equitable basis with respect to both its investment company and non-investment company clients (including clients in which Reaves or a person associated with Reaves may have an interest). No advisory client, including those clients in which Reaves or persons associated with Reaves have a direct or indirect beneficial

¹³ Section 28(e) of the Securities Act of 1934 establishes guidelines where investment managers, with investment discretion over accounts of others, may receive brokerage and research services from a broker-dealer if it makes a good faith determination that the value of such services is reasonable in relation to the amount of commissions paid. Such activities, as described, would not be in contradiction to a manager’s fiduciary duty.

interest is favored by Reaves over any other client, and each client who participates in an aggregated order participates at the average share price, with transaction costs charged to each such client in accordance with its then in effect commission schedule.

Reaves does not allocate aggregated orders on a pure pro-rata basis. Reaves believes the methods in which it determines allocations are equitable and fair to all clients and are in the clients' best interest. Reaves allocates trades based upon, but not limited to, the following factors, which are applied to each client equally:

- 1) Cost of transactions (size and frequency issues to be included);
- 2) Size of the execution and the liquidity of the security;
- 3) The nature of each account (that is, whether the account is taxable or non-taxable, which is especially important for sale transactions);
- 4) The tax consequences of a transaction (long-term versus short-term capital gains for sales in taxable account)
- 5) Current cash position of each account being considered for the transaction;
- 6) Weighting of the security and the sector of the security in the applicable accounts; and
- 7) Size of each account's portfolio and the risks (positive or negative) of a specific allocation to one account over an allocation to another account.

Reaves' allocation policies apply to fully and partially filled orders as directed by the Portfolio Manager(s) of the applicable accounts.

Reaves does not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients and is consistent with the terms of Reaves' investment advisory agreement with each client for which trades are being aggregated. No advisory client is favored over any other client, and each client that participates in aggregated order participates at the average share price for all Reaves transactions in that security on a given business day, with transactions costs charged to each such client in accordance with its then in effect commission schedule.

For each aggregated order, an allocation statement is prepared specifying the participating client accounts and how the order shall be allocated among those clients. Notwithstanding the foregoing, an order may be allocated on a basis different from that specified in the allocation statement provided that all clients receive fair and equitable treatment.

Although, Reaves rarely participates in Initial Public Offerings ("IPOs"), IPO allocations, whenever possible, will be allocated on a pro-rata basis among all accounts that such allocation would be deemed appropriate given each account's investment strategy and other factors including, but not limited to:

- 1) Account restrictions as to the nature of the investment and the size of the transaction
- 2) The cash position of each eligible account

If applicable, previous IPO allocations will be reviewed to further ensure fair and equitable treatment of all eligible accounts.

When requested by a client, in writing, Reaves will use brokers designated by a client. Such “directed brokerage” may be utilized by a client, among other reasons, who has entered into a commission recapture program with said broker. Reaves, as an executing broker, does not offer such commission recapture programs for any individual or entity. When deemed advisable by Reaves, Reaves will execute the trade for the client and “step-out” to the designated broker allowing that broker to record the transactions and applicable commission. Execution costs on such transactions will be assumed by Reaves. Reaves may also receive directed brokerage requests from other introducing advisory firms. Clients with directed brokerage arrangements may pay higher commissions and/or execution costs than may be otherwise available.

Item 13 – Review of Accounts

Reaves' Portfolio Managers have the primary responsibility for all investment advisory accounts.

Account administrators and the Operations Department perform various reviews of all prior day's trades to ensure that such trades are correctly processed to the designated client account(s). On at least a monthly basis, the Firm's Client Account Administration group reconciles our records to those provided by the client's trustee and/or custodian. After reconciliations, performance measurement is processed and reviewed by members of the Firm. The Compliance Department reviews all trades and client holdings taking in to account the investment strategy chosen, any specific client guidelines and all applicable regulations.

At least quarterly, managed clients are sent reports including a statement of investments, changes in assets and performance. Reports are not sent to "wrap" and certain "sub-advisory" clients Reaves manages (the Wrap Sponsor & primary investment advisor are responsible for this client reporting) and for the investment companies Reaves manages (data is supplied to the funds' administrators and each board, as requested). Periodically, in-depth performance analysis is prepared and presented during client meetings. On a daily basis, brokers send electronic trade reports to institutional clients' trustees and/or custodians using OMGEO (DTCC); when Reaves acts as executing broker, these ID confirmations are sent by Pershing. As requested, Reaves sends additional trade reports by fax, email or other electronic means.

It is each client's responsibility to inform Reaves, directly or through the investment advisor who introduced the account to Reaves, of any material changes to their financial condition or investment objectives.

Item 14 – Client Referrals and Other Compensation

Reaves has entered into written solicitation agreements with unaffiliated third parties (“Solicitors”). The Solicitors conduct their activities independently. The Solicitation Agreements and all activities in connection therewith, are conducted in compliance with Rule 206(4)-3 under the Investment Advisors Act of 1940 and all other applicable Federal and State securities laws and regulations.

Under the aforementioned agreements the Solicitors refer potential clients to Reaves and are compensated quarterly based on a percentage of advisory fees paid, and received, by such clients who elect to retain the investment advisory services of Reaves. All such solicitor arrangements are disclosed to and acknowledged by the applicable client. The compensation paid by Reaves to any Solicitor does not result in any additional charges to the client.

Item 15 – Custody

In most cases, Reaves' client and/or an introducing advisory firm is responsible for the selection of a custodian. Some accounts are introduced by Reaves to Pershing who is responsible for all custodial matters.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains the clients' investment assets. Reaves Asset Management urges our clients to carefully review their statements and compare such official custodial records to the account statements that we may provide to you. Reaves' statements may vary from custodial statements due to, but not limited to, reporting methods (i.e., trade date versus settlement date), pricing differences and accrued income calculations.

As stated in Item 5, clients may elect to be billed directly for fees or to authorize Reaves Asset Management to directly debit fees from their accounts. The billing method may depend on the policies of the clients' custodian. Reaves urges clients to review their billing statements.

Item 16 – Investment Discretion

Reaves has the written authority and responsibility to formulate investment strategy on behalf of clients, including deciding what securities to buy and sell, what amounts and when, in accordance with agreed upon client objectives and the client’s chosen investment strategy.

Discretionary clients may impose restrictions on Reaves’ discretionary authority.

Factors that may influence Reaves’ investment decisions may include, among other reasons, specific client requests (including tax harvesting) and /or client restrictions, long-term versus short-term holdings in taxable accounts and, for investment company clients, certain federal securities laws that require diversification of investments.

From time to time non-institutional clients may initiate trades or maintain security positions in their accounts that are not proposed by our Firm (“non-discretionary” transactions).

Item 17 – Voting Client Securities

The act of managing clients' assets may include, at the discretion of the client, the voting of proxies related to such managed assets. Where the power to vote in person or by proxy has been delegated, directly or indirectly, to the investment adviser, Reaves has the fiduciary responsibility for (a) voting in a manner that is in the best interests of the client, and (b) properly dealing with potential conflicts of interest arising from proxy proposals being voted upon.

A summary of the policies and procedures of Reaves Asset Management ("Reaves") for voting proxies received for accounts managed by Reaves are set forth below and are applicable if:

- The underlying advisory agreement entered into with the client expressly provides that Reaves shall be responsible to vote proxies received in connection with the client's account; or
- The underlying advisory agreement entered into with the client is silent as to whether or not Reaves shall be responsible to vote proxies received in connection with the client's account and Reaves has discretionary authority over investment decisions for the client's account; or
- In case of an employee benefit plan, the client (or any plan trustee or other fiduciary) has not reserved the power to vote proxies in either the underlying advisory agreement entered into with the client or in the client's plan documents.

In the absence of specific voting guidelines from a client, Reaves will vote proxies in a manner that Reaves believes is in the best interest of the client, which may result in different voting results for proxies for the same issuer. Reaves shall consider only those factors that relate to the client's investment or dictated by the client's written instructions, including how its vote will economically impact and affect the value of the client's investment (keeping in mind that, after conducting an appropriate cost-benefit analysis, not voting at all on a presented proposal may be in the best interest of the client). Reaves believes that voting proxies in accordance with the following policies is in the best interests of its clients.

A. Specific Voting Policies

1. Routine Items:

- Reaves will generally vote for the election of directors (where no corporate governance issues are implicated).
- Reaves will generally vote for the selection of independent auditors.
- Reaves will generally vote for increases in or reclassification of common stock.
- Reaves will generally vote for changes in the board of directors.

- Reaves will generally vote for outside director compensation.
- Reaves will generally vote for proposals that maintain or strengthen the shared interests of shareholders and management.
- Reaves will generally vote for proposals that increase shareholder value.
- Reaves will generally vote for proposals that will maintain or increase shareholder influence over the issuer's board of directors and management.
- Reaves will generally vote for proposals that maintain or increase the rights of shareholders.

2. Non-Routine and Conflict of Interest Items:

- Reaves will generally vote for management proposals for merger or reorganization if transaction appears to offer fair value
- Reaves will generally vote against shareholder resolutions that consider only non-financial impacts of mergers.
- Reaves will generally vote against anti-greenmail provisions.

B. General Voting Policy

If the proxy includes a Routine Item that implicates corporate governance changes, a Non-Routine Item where no specific policy applies or a Conflict of Interest Item where no specific policy applies, then Reaves may engage an independent third party to determine how the proxies should be voted.

In voting on each and every issue, Reaves and its employees shall vote in a prudent and timely fashion and only after a careful evaluation of the issue(s) presented on the ballot.

- In exercising its voting discretion, Reaves and its employees shall avoid any direct indirect conflict of interest raised by such voting decision. Reaves will provide adequate disclosure to the client if any substantive aspect or foreseeable result of the subject matter to be voted upon raises an actual or potential conflict of interest to Reaves.

Reaves shall keep certain records required by applicable law in connection with its proxy voting activities for clients and shall provide proxy-voting information to clients upon their written or oral request.

The complete text of Reaves' Proxy Voting Procedures and Policies is available upon request.

Item 18 – Financial Information

We are required by the S.E.C. to include the following information in this Brochure:

Reaves Asset Management does not require or solicit payment of fees in excess of \$1,200 per client for more than six months in advance.

Reaves has no financial circumstances to report which may impair the Firm's ability to meet its contractual obligations.

Reaves Asset Management has never been the subject of a bankruptcy petition.