

Moon Capital Management, LLC

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This brochure provides information about the qualifications and business practices of Moon Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 865-546-1234 or at *info@mooncap.com*. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Moon Capital Management, LLC is also available on the SEC's website at www.adviserinfo.sec.gov and at the firm's website www.mooncap.com.

Moon Capital Management, LLC is a Registered Investment Advisor (RIA) with the Securities and Exchange Commission (SEC). Registration as an RIA with the SEC does not imply a certain level of skill or training.

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Advisory Business

Moon Capital Management, LLC (MCM) is a Registered Investment Advisory company established as a Limited Liability Corporation on July 3, 1995. W. David Moon is the principal owner. MCM performs investment research and provides investment management services.

The onset of every advisory relationship begins with an exploration of the client's goals, assets, investment experience, income needs, tax situation and risk tolerance. With this information, we will recommend an asset allocation to the client, suggesting a mix between broad asset classes designed to meet their specific set of income and growth needs, within the parameters of their risk tolerance.

There are some client-specific securities issues that can also impact the construction and personalization of a client's portfolio. These include situations in which clients have concentrated positions in a single security (often with very little tax basis), restricted stock, limited choices within a company 401(k) plan, or otherwise have a personal predisposition to hold or avoid a certain stock or sector. These unique circumstances are always detailed in the client's Investment Management Agreement and/or Statement of Investment Policy.

At the end of 2011, we provided investment advisory services to approximately 127 clients. We managed \$133,242,690 on a discretionary basis and \$0 on a non-discretionary basis.

MCM does not participate in wrap fee programs.

Fees and Compensation

The fees for all of our private accounts are based on the size of the account. For the purpose of calculating fees, all accounts of one household will be combined. Fees are billed quarterly and in arrears. Clients may have these fees deducted from their assets or pay them personally. Regardless of payment method, clients will receive a copy of their quarterly fees invoice. Our graduated fee schedule is as follows:

Account Size	Annual Management Fee
First \$1 million	1.00 percent
Next \$1.5 million	0.80 percent
Amount after and above the first \$2.5 million	0.70 percent

The minimum annual fee is \$7,500. MCM may adjust these fees in certain circumstances based on any of a number of factors, including, but not limited to, the size of the total client relationship, extra costs associated with the advisory relationship, asset allocation, negotiations and tax status of the client.

In exiguous circumstances, clients may own mutual funds within their advisory accounts. By their nature, mutual funds have internal funds expenses, including management fees. As a result, owning a mutual fund within an advisory account may cause a client to pay two levels of advisory fees: one to the fund management company and one to Moon Capital Management. In no circumstance does Moon Capital Management receive any portion of any fee paid to the mutual fund company.

Clients enter into an Investment Management Agreement to employ MCM. Our clients may cancel the Investment Management Agreement at any time, without cost or penalty, including within five days of entering into the Agreement. We do not charge any fees for cancellation of our contract. Since we never charge or bill in advance, we are never in a position to have to refund client fees in the event of a mid-quarter termination. Clients will, however, be billed pro-rata for services rendered but not yet billed in the event a contract is cancelled.

Clients will incur brokerage and other transaction costs. These fees are separate from investment management fees assessed by third-party brokers and custodians for transaction-related services. MCM is not affiliated with any broker/dealer. Clients may instruct MCM to direct their trades and custody their assets with the broker or custodian of their choice.

See the **Brokerage Practices** section of this document for additional information regarding brokerage.

No one at MCM accepts compensation for the sale of securities or other investment products.

Performance Based Fees and Side-By-Side Management

MCM manages a private investment fund in which the fees are partially or wholly based on performance. The conditions and risks specific to these types of fees are more fully described and discussed within the offering documents for this fund.

For purposes of allocating shares and brokerage commission, we include this private investment fund in aggregated trades when purchasing or liquidating shares of the same security. This practice is more fully described in the **Brokerage Practices** section of this document.

Types of Clients

Our clients include individuals, retirement plans, charitable organizations, trusts, corporations and retirement plan consultants. Our minimum account size is \$500,000.

Methods of Analysis, Investment Strategies and Risk of Loss

As much as anything else, Moon Capital Management is an *investment research* organization. We read actual annual reports and financial statements. We talk to the companies in which we invest. We spend a lot of our time reading. We read newspapers, magazines, industry publications, company press releases, Wall Street research – anything we think will give us some insight into a profitable investment opportunity. We invest in stocks and bonds (including corporate, government and government agencies.) We might own mutual funds (which have internal expenses in addition to our fees) in appropriate situations. We try to determine the *value* of the business and find situations where that value is significantly greater than the current price. We do not try to predict the stock market or investor behavior, nor do we base our investment process on an arbitrary benchmark or index. We will generally own investments for several years, although occasionally we will have a circumstance where a short-term price movement causes us to sell a stock more quickly than normal.

Any investment in the stock market is risky. There are all sorts of types of risks. There are general risks associated with the overall stock market. There are also risks specific to MCM and the specific investments we select. There is a risk that you might need to withdraw your money from the account at the same time that the overall stock market - including the stocks in your account - is at a depressed level. There is a risk that we might invest in a business that subsequently performs poorly. We might also invest in a company that performs well operationally, but simply pay too much for the stock. Stock values and prices can be impacted by all sorts of things, including, but not limited to, currency valuations and changing domestic interest rates.

An investor should not make an investment in common stocks if s/he anticipates needing that capital within the next five years.

Bonds also carry risks. The prices of bonds are sensitive to interest rates. As rates increase, the prices of almost all bonds decline. An adjunct to this interest rate risk is purchasing power risk. Inflation erodes the value of future dollars, including future payments of bond interest and principal. Bonds are also subject to credit risk, that is – the issuer may not be able to pay scheduled interest payments or repay the principal at maturity.

In certain client accounts, when pre-approval is obtained, we may write covered calls. When writing a call, an investor sells another investor the right (not the obligation) to purchase a stock at a specific price. The investor writing (selling) the call receives a premium for selling the right. A covered call is a situation in which the investor writing (selling) the call already owns the stock. The primary risk in writing a covered call is that the price of the underlying stock will decline, perhaps in an amount greater than the premium received for writing the call. This stock price risk is, of course, inherent in any stock investment, whether an investor has written a call against the stock or not.

We manage a private investment fund, the Moon Value Fund I, LLC. We may recommend, if appropriate, that certain clients invest in this fund. Our owners and employees have significant personal capital invested in this fund. Within the Moon Value Fund I, we manage a portion of the assets with a long-term orientation. Like with our individual clients, we will also sometimes sell stocks within a year of purchase. In this fund, however, we have the added leeway to do short sales, trading, margin transactions and option writing. Additionally, the fund may invest in illiquid securities.

The risks specific to the investments within the Moon Value Fund I are more fully described and discussed within the offering documents.

Disciplinary Information

We (Moon Capital Management, its employees and subsidiaries) have never been charged with, convicted of or plead guilty or no contest in a domestic, foreign or military court to any felony or misdemeanor. We have never been charged by the Securities and Exchange Commission or any commodity futures exchange with making a false statement or omission. Neither have we ever been charged with a violation of SEC or CFTC regulations or statutes. We have never been charged with or caused an investment-related business to have its authorization to do business denied, suspended, revoked or restricted. We have never had an order entered against us, nor have we ever had a civil money penalty or cease and desist order entered against us. No federal regulatory agency, state regulatory agency or foreign financial regulatory authority has ever charged us or found us to have made a false statement or omission, been dishonest, unfair, or unethical, been in violation of any investment-related regulations or statutes, or ever found us to be the cause of an investment-related business to have its authorization to do business denied, suspended, revoked or restricted. No self regulatory organization, commodities exchange or stock exchange has ever charged us or found us to have made a false statement, been involved with a violation of its rules, caused any investment-related business to have its authorization to do business denied, suspended, revoked or restricted or barred/suspended us from association with other members. No self regulatory organization, commodities exchange or stock exchange has ever found us to be the cause of an investment-related business to have its authorization to do business denied, suspended, revoked or restricted, nor have we ever been disciplined by any such organization. We are not currently, nor have we ever been, the subject of any regulatory proceeding or investigation that might result in a change in any of the answers to these questions.

Other Financial Industry Activities and Affiliations

Investment specialists at Charles Schwab (Schwab) refer clients to us from time-to-time when they think our style is a suitable fit for a particular Schwab client. Schwab is an independent broker and, other than this referral program, we are not affiliated with them. We pay Schwab a fee for these referrals, generally calculated either as a percentage of the

account assets or as a percentage of the investment management fee we charge that client. We continue to pay Schwab the referral fee as long as we work for the client.

Schwab sometimes receives a commission when we place trades in the accounts they refer to us. It is possible that Schwab's commission rates will be greater than rates available at other brokerage firms. If we place trades with other brokerage firms, Schwab charges an administrative fee.

We also may place client trades at different brokerage firms and at different prices than if Schwab had not referred those clients.

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

We (Moon Capital Management, LLC, its employees and subsidiaries) invest our own capital in the same investments that we buy on behalf of our clients. In our opinion this creates a convergence of interest, not a conflict. When buying securities for ourselves and our clients, we place trades on the same day and allocate them to both our clients and ourselves at the same price.

All employees are required to provide quarterly reports of all personal security transactions. These reports are reviewed by the firm's Chief Compliance Officer and maintained on file.

As described in the section of this document on **Methods of Analysis, Investment Strategies and Risk of Loss**, we may also recommend that clients invest in an investment fund of which we have a material financial interest as a result of our role as managing member, organizer and investment manager. Please see that section for a description of this situation, potential conflicts and risks.

The Moon Value Fund I maintains custody of client funds. The fund also provides annual audited financial statements from an outside accounting firm, overseen by the Public Company Accounting Oversight Board (PCAOB), to its investors. Moon Capital Management, LLC is general partner of the Moon Value Fund I.

Moon Capital Management maintains a Code of Ethics that requires, among other things, employees to 1) comply with all securities laws and regulations; 2) always act as fiduciaries to our clients; 3) maintain the privacy of our clients; 4) refrain from buying or selling securities before our clients and 5) report all personal securities holdings and transactions.

Any client or prospective client may request a copy of our Code of Ethics at any time.

Brokerage Practices

Moon Capital Management does not maintain custody of your assets. Instead, your assets are always maintained in an account at a "qualified custodian," generally a third-party brokerage firm or bank.

In connection with placing trades, brokerage firms may agree to provide certain research and related products/services to Moon Capital Management. These include, but are not limited to, both proprietary and third-party research. If brokerage firms didn't provide this benefit, we would likely have to purchase these items. Because of these types of situations, it is possible that we may have an incentive to favor certain executing brokers. We regularly monitor the execution and service provided by all of our brokers, however, to make certain that we fulfill our duty to always seek best execution for the trades we place for clients.

We do not receive any cash or any other form of economic benefit from non-clients in connection with giving advice to clients.

We always use a third-party brokerage firm or bank custodian to actually hold client assets. We withdraw advisory fees directly from client accounts if we have been given written authority from the client to do so. In these cases, we provide the client a copy of the bill submitted to the custodian. Additionally, the custodian provides this information to each client. At no time do clients pre-pay any investment management fees.

Brokerage and custodial firms do, from time to time, provide services that benefit us, our clients or both. Examples of these include electronic access to account data (including statements, trade confirmation, other web-based services, etc.) Other services made available, from time to time, may be of an educational nature, including research (either proprietary or third-party), newsletters, web seminars and conferences. As of December 31, 2011, the following firms provided some type of service or benefit that might fall under these categories: Instinet Inc., Charles Schwab and Company, Pershing Advisor Solutions and Bank of New York Brokerage. To the extent we would otherwise pay for these services, we obtain a benefit by the use of client commissions to obtain research or other products or services. These types of benefits could create a conflict, causing us to prefer one broker or custodian over another. Nonetheless, we regularly evaluate our trading costs to ensure that we receive the overall best execution at the best price for our trades irrespective of these issues. These services may or may not benefit all clients, and no attempt is made to allocate these costs in any way other than by size of trade.

Unless specifically directed by our client, we will determine what brokers to use in executing trades and will negotiate with those broker(s) the commission rates for these transactions. In selecting broker(s), we consider the quality of trade execution and the price charged to execute these trades. Not all advisors require their clients to allow directed

brokerage. Clients may always choose to direct their own brokerage which could result in higher transaction costs.

When placing trades, we often place a large, aggregate trade, then allocate shares from that trade among our clients. When we do this, all of the clients for whom this aggregated trade is placed receive the same price and a pro-rata share of the commission. In contrast, we could place an individual trade for each client account, but our clients would probably end up paying different prices for the same stock on the same day. We try to use block trades whenever possible.

As described in the **Client Referrals and Other Compensation** section of this document, we may, from time-to-time, receive client referrals from Charles Schwab. The fees and brokerage arrangement in these situations is fully described in that section. These client referrals are not dependant on using Charles Schwab for brokerage because the client assets are already custodied at Schwab and we make no recommendation in these situations with respect to brokerage.

Trade Error Policy:

It is possible that Moon Capital Management, LLC (MCM) may make an error in submitting a trade order on a client's behalf. When this occurs, MCM may place a correcting trade with the broker-dealer which has custody of the client's account. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should have received the gain, or we confer with the client and the client decides to forego the gain (e.g., due to tax reasons.) If a loss occurs, MCM will pay for the loss. Generally, if related trade errors result in both gains and losses in an account, they may be netted.

Review of Accounts

We review the holdings within our portfolio on a daily basis, making changes in our general holdings list or in our specific accounts as appropriate. Accounts are regularly reviewed against investment objectives, target asset allocations and restrictions in the investment advisory agreement. A review may occur based on a number of different factors, including events specific to the client and elapsed time since the previous review. The specific Moon Capital Management employee responsible for the review depends on whether or not individual stocks are being reviewed or if it is a review of the general guidelines of a specific client.

All clients receive a quarterly performance report from MCM detailing the performance of their account for the previous quarter and since inception.

Client Referrals and Other Compensation

Investment specialists at Charles Schwab refer clients to us from time-to-time when they think our style is a suitable fit for a particular Schwab client. Schwab is an independent broker and, other than this referral program, we are not affiliated with them. We pay Schwab a fee for these referrals, generally based on a percentage of the investment management fee we charge that client. We continue to pay Schwab the referral fee as long as we work for the client. *We never charge a Schwab-referred client a greater fee than our other clients for whom we perform similar work.* In other words, we do not maintain one fee schedule for clients referred by Schwab and a different fee schedule for everyone else.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are describe above (See **Brokerage Practices**). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Custody

All clients receive a monthly statement of their holdings from their third-party custodian, in addition to a quarterly performance report from MCM detailing the performance of their account for the previous quarter and since inception. We encourage all clients to review and compare statements received by third-party brokers/custodians and contact us if there are any questions.

Investment Discretion

Unless specifically directed by our client, we maintain full trading authority on the accounts we manage, within the guidelines of an executed *Statement of Investment Policy*. Within these guidelines, we determine which specific securities to purchase, how much of those securities to purchase and what price to pay.

In addition to the *Statement of Investment Policy*, clients also execute an *Investment Management Agreement*. The *Investment Management Agreement* refers to one or more trading authorizations (or limited powers of attorney for trading authority) our clients execute with third-party custodians and brokers. These trading authorizations give the custodians and broker the obligation to accept our trading instructions on behalf of our clients.

The *Statement of Investment Policy* (along with any subsequent amendments and/or client instruction) outlines the asset allocation parameters within which we invest the client's assets. If a client wishes to place any type of restrictions on our trading authority, this is

noted in the *Statement of Investment Policy*. Examples of types of restrictions include a prohibition against the purchase of specific securities or stocks with a sector, or the requirement that the client be consulted prior to the sale of certain securities in the account.

Voting Client Securities

Our policy is to vote proxies in a manner that will maximize the value of your ownership in that company. We will not be influenced by outside sources whose interests conflict with our clients' interests.

Unless clients instruct us otherwise, we will only vote proxies of the companies that we purchase on their behalf. That is, it is not our practice to vote the proxies on stocks clients may have transferred into their Account or otherwise directed us to purchase.

If a matter subject to shareholder vote places us in a position of material conflict of interest with a client, we will disclose the conflict; defer voting recommendation to the client; send the proxy to the client for a voting decision; or take such other action in good faith which would protect the interests of our clients.

Unless we determine that the management of a particular company has a conflict of interest or demonstrates poor judgment, the recommendation of management on any issue is one factor we consider in determining how proxies should be voted. However, the recommendations from management are not the only factor we consider. Our votes with respect to most issues are often cast in accordance with the position of the company's management. Each issue, however, is considered on its own merits; we will not support the position of a company's management in any situation where we determine that their recommendation would adversely affect the investment merits of owning that company's shares.

We will always keep the proxy statements we vote, a record of our votes and any documents we prepare in making a voting decision. Clients may request this information or a copy of our proxy voting policies and procedures at any time. We will also keep records of any client requests for proxy voting information.

A client may inform us of their desire to receive and vote the proxies in his or her Account at any time.

Financial Information

Moon Capital Management does not have any financial conditions that would impair our ability to meet our contractual requirements or fiduciary responsibility to our clients.