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**This brochure provides information about the qualifications and business practices of Blue River Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (303) 292-5900. 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 Blue River Asset Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Blue River Asset Management, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

## Item 2 Material Changes

The United States Securities and Exchange Commission (the “SEC”) published “Amendments to Form ADV,” adopting new rules which amend the disclosure document (“Brochure”) that we provide as required by SEC Rules. Accordingly, this Brochure is materially different in structure and requires certain new information that our previous Brochure did not require.

In this Summary of Material Changes, we discuss only the material changes since the last annual update of this Brochure, which was on March 31, 2011:

*Registration Status* The Adviser has initiated a transition to state registration from SEC registration status due to the new requirements for minimum assets under management.

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#### **Item 4 Advisory Business**

##### *Blue River Asset Management, LLC*

Blue River Asset Management, LLC, a Delaware limited liability company (the “Adviser”) was organized in April 2001 and is a state registered investment adviser.

The Adviser is primarily engaged in providing investment management services to Blue River Arbitrage Strategy Investments, LLC, a Delaware limited liability company (the “Fund”) and the subsidiaries in which the Fund invests. The Adviser manages assets on a discretionary basis.

The Adviser acts as the managing member of the Fund. The Fund invests substantially all of its assets in membership interests of Blue River ASI Master, LLC (the “Portfolio Company”). Certain other investment funds (together with the Fund, the “Investment Vehicles”) also may invest in the Portfolio Company from time to time on similar terms and conditions as the Fund and, if so investing, will bear a proportionate share of the Portfolio Company’s expenses.

The investment objective of the Portfolio Company is to generate attractive after-tax returns through economically leveraged investments in (i) municipal bonds issued by states, municipalities, agencies of states or municipalities or similar issuers, the interest on which is excludable from gross income for U.S. federal income tax purposes (“Municipal Bonds”), (ii) shares of exchange-traded, closed-end insured mutual funds that invest primarily in Municipal Bonds and securities backed by such shares (collectively, “Muni Bond Fund Shares” and, together with Municipal Bonds, the “Underlying Muni Securities”), and (iii) residual certificates, while mitigating the accompanying interest rate risks with proprietary hedging strategies entered into primarily through wholly-owned Cayman Islands limited liability exempted companies or wholly-owned Delaware limited liability companies (collectively, the “Investment Subsidiaries” and each, an “Investment Subsidiary”). The Adviser acts as the non-member manager of the Portfolio Company and the investment adviser of Investment Subsidiaries.

The Adviser is a manager of the Fund and of the Portfolio Company and has an advisory agreement with the Investment Subsidiaries. The Adviser may also enter into other advisory or management agreements from time to time with affiliates or with third parties.

Bigelow Asset Management, LLC, a Colorado limited liability company, is the sole member of the Adviser. Robert Bigelow III is a Managing Director of Bigelow Asset Management, LLC. Bigelow Asset Management, LLC is a Denver-based asset management firm.

##### *The Principals*

The following individuals are principals of the Adviser:

##### ***Robert Bigelow III***

Robert Bigelow III is the Managing Director and sole manager of the Adviser. Mr. Bigelow developed the proprietary trading strategies and techniques utilized by the Portfolio Company and is primarily responsible for daily portfolio management and trading. In addition, Mr. Bigelow is a Managing Director of Bigelow Asset Management, LLC. Bigelow Asset Management, LLC is a Denver-based asset management firm. Mr. Bigelow is a member of the Board of Directors for the Adviser’s affiliated broker-dealer, Bigelow & Company, LLC. He is also Director and President of the initial Investment

Subsidiaries and may serve in such capacity or as manager of any Investment Subsidiaries formed in Delaware.

Prior to forming the Adviser, Mr. Bigelow was a Managing Director at Bear Stearns where he was head of the Municipal Derivative Products Group. In this capacity, Mr. Bigelow was responsible for the firm's municipal derivative trading activity, portfolio risk management and product development. Among the portfolios overseen by Mr. Bigelow were a \$1.0 billion Tender Option Bond Program ("TOB") and a \$2.0 billion flex repo book.

Mr. Bigelow began the Municipal Derivative Products Group at Bear Stearns after leaving Credit Suisse Financial Products, where he was one of two founding members of a municipal derivative joint venture with Credit Suisse First Boston in 1993. From 1990 to 1993, he was a member of Lehman Brothers Derivative Products and Public Finance Departments.

Mr. Bigelow graduated from Yale University in 1990.

***Paul E. Sinsar***

Paul E. Sinsar is responsible for supervision of portfolio positions and risk exposure and all trading room activity for the Adviser. In addition, Mr. Sinsar is an Executive Vice President of Bigelow Asset Management, LLC. He is also Director and Secretary of the initial Investment Subsidiaries.

Mr. Sinsar was co-manager in charge of risk management and distribution for the Municipal Bond department of George K. Baum & Co. from 1990 to 1995, where he built one of the most respected sales and trading operations in the Municipal Bond industry, managing a volume of transaction in excess of \$10 billion per year.

Mr. Sinsar also served as head of the Municipal Bond department of Drexel Burnham from 1989 to 1990 and was the national sales manager from 1984 to 1988. Prior to that, he was a senior municipal trader at Morgan Bank, Lazard Freres & Co. and Salomon Brothers.

Mr. Sinsar graduated from Princeton University in 1972.

## Item 5 Fees and Compensation

### *Management Fees*

The Portfolio Company pays the Adviser a management fee (the “Management Fee”), payable monthly in arrears, at an annual rate equal to 0.25% of the respective Portfolio Company’s net asset value, exclusive of net asset value attributable to any undistributed Contingent Incentive Allocation (defined below), Investment Vehicles other than the Fund, and principals, affiliates of any principal, employees, advisors, or consultants of the Adviser or its affiliates, trusts for the benefit of the foregoing or non-affiliated intermediaries investing in the Fund in connection with any investment in respect of which one or more of the principals or such employees, advisors or consultants or trusts bear substantive risk of profit or loss through contractual arrangements (collectively, the “BRASI Investors”).

The Investment Subsidiaries pay the Adviser a management fee (the “Subsidiary Management Fee”), payable monthly in arrears, at an annual rate equal to 0.75% of the respective Investment Subsidiaries’ net asset value, exclusive of net asset value attributable to any undistributed Contingent Incentive Allocation, Investment Vehicle other than the Fund, and BRASI Investors. The Subsidiary Management Fee is allocated to the Fund.

### *Organizational Charges*

Immediately after the admittance to the Fund or upon acceptance of an additional capital contribution by the Fund, the Fund, with respect to each member of the Fund, reimburses the Adviser out of such member’s capital account an amount equal to the lesser of (a) the product of (i) 0.25%, and (ii) the member’s capital contribution, or (b) \$12,500.

### *Service Fees*

The Adviser is compensated with respect to each Fund member, other than a BRASI Investor, for servicing the accounts of the members by a monthly payment of the service fee in an amount equal to the product of (a) 1/12 of 1.0%, and (b) the member’s capital contribution, which may be reduced in whole or in part by the Adviser in its sole discretion.

All fees are deducted from the Fund’s account.

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

### *Performance Allocation*

At the end of each Performance Period<sup>1</sup> with respect to any member (other than any BRASI Investor), the income allocation to such member is reduced by the incentive allocation made to the Adviser (the “Contingent Incentive Allocation”). The Contingent Incentive Allocation is an amount equal to the remainder, if any, of (a) the product of (i) 20% and (ii) the Cumulative Net Profit<sup>2</sup> minus (b) the balance, if any, in such member’s High Dollar CIA Account<sup>3</sup> at the beginning of such Performance Period. However, a member’s Contingent Incentive Allocation is reduced, if the member’s return on capital (based on net asset value) for the rolling four quarter period ending simultaneous with the Performance Period is less than 5.0% (adjusted proportionately for each of the first four quarters after the date of the member’s initial capital contribution), until such member’s return on capital for such period equals 5.0%. The Contingent Incentive Allocation does not reduce a member’s return on capital to less than 5.0% for such period.

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<sup>1</sup> A “Performance Period” means the period beginning on either the closing date of a Fund’s member’s initial subscription for interests in a Fund or the first day following the last day of the immediately preceding Performance Period, as the case may be, and ending on the earlier of the winding up of the Portfolio Company, or in the case of the other Fund, the next succeeding February 28 (or, in a leap year, February 29), May 31, August 31 or November 30, and (ii) the date on which the Fund terminates.

<sup>2</sup> “Cumulative Net Profit” means, for any period, the remainder, if any, of (a) the sum of the tax-free income, accrued tax-free income, taxable income, accrued taxable income, realized gain, and unrealized gain that would be or would have been allocated to such member for such Performance Period and all prior Performance Periods if the Contingent Incentive Allocation for such period were zero, minus (b) reductions in accrued tax-free income, reductions in accrued taxable income, realized losses, unrealized losses, and expenses that would be or would have been allocated to such member for such Performance Period and all prior Performance Periods if the Contingent Incentive Allocation for such period were zero, including general, administrative and other operating expenses of the Fund in which such member is invested (including such member’s pro rata share of the respective Portfolio Company’s expenses, such Fund’s organizational expenses, the Management Fee, the Subsidiary Management Fee, the Service Fees, and accrued hedging expenses for such period).

<sup>3</sup> “High Dollar CIA Account” means an account established for each member, with an initial balance of zero, adjusted at the end of each Performance Period by being increased by the Contingent Incentive Allocation that has been allocated to the Adviser with respect to such member during the immediately preceding Performance Period.

**Item 7      Types of Clients**

The Adviser currently serves as the manager of the Fund and the Portfolio Company and as an investment adviser to the Investment Subsidiaries. The Adviser does not currently, and has no plans to, provide investment advice to any individual natural persons in the future.



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

### *Investment Strategy and Guidelines*

The Portfolio Company's objective is to generate attractive after-tax returns while managing interest rate risks. The Portfolio Company expects to achieve this goal through a disciplined and experienced approach to trading and a rigorous risk management strategy. Key components of the Portfolio Company's investment approach are:

- Portfolio Structure and Credit Diversification
- Relative Value Investing
- Portfolio Monitoring and Hedging Strategies

### *Portfolio Structure and Credit Diversification*

While all of the Investment Securities (as defined below) (other than the Muni Bond Fund Shares) satisfy the Rating Requirement,<sup>1</sup> the Portfolio Company invests in a diversified group of Municipal Bonds in order to limit exposure to credit risk. This diversification is based on the following characteristics of the underlying securities (the "Characteristics"): the monoline insurer, if any, that insures the municipal issuer's obligation on the Municipal Bonds; the issuer of the Municipal Bonds; the geographic regions in which the Municipal Bonds are issued; and the industry, if any, relating to the Municipal Bonds.

With respect to each Characteristic, the Adviser seeks to limit the Underlying Muni Securities issued in TOB programs (but not those involving Muni Bond Fund Shares (defined below)) and Municipal Bonds owned directly or indirectly by the Portfolio Company, according to the diversification targets set forth in the table below. The portfolio currently meets these diversification guidelines.

Diversification Guidelines (Maximum Percent of Portfolio)				
	Each Insurer <sup>2</sup>	Any Underlying Issuer	Any Geographic Region <sup>3</sup>	Any Industry <sup>4</sup>
Net Assets < \$50 million	70%	20%	60%	60% <sup>5</sup>
Net Assets > \$50 million	60%	10%	40%	40% <sup>5</sup>

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<sup>1</sup> The "Rating Requirement" means (i) in the case of any investment security (other than Muni Bond Fund Shares), taxable investment or leveraged taxable investment that the Investment Security, taxable investment or leveraged taxable investment (other than Muni Bond Fund Shares relating to the residual certificates) such investment securities are credit default swaps or other investments that reference or replicate, in whole or in part, any of the MCDX Investments; provided, however, that up to 50% of the underlying securities that are not MCDX Investments may be "AA"-rated at the time of purchase,

(ii) in the case of Municipal Bonds, the Municipal Bonds may be “AAA” –rated or pre-refunded bonds, or (iii) in the case of residual certificates, the underlying residual certificates alternatively may be issued from a TOB program involving pre-refunded bonds.

<sup>2</sup> The monoline insurers are Ambac Assurance Corporation, Assured Guaranty Municipal, Radian, National Public Finance Guarantee, Berkshire Hathaway Assurance Corp., and XL Capital Assurance Inc.

<sup>3</sup> The geographic regions are: Northeast (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont), Southeast (Arkansas, Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, the U.S. Virgin Islands, Virginia, Washington D.C.), Midwest (Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Nebraska, Ohio, West Virginia, Wisconsin), Rocky Mountain (Colorado, Idaho, Kansas, Montana, Nevada, North Dakota, Oklahoma, South Dakota, Texas, Utah, Wyoming), and Pacific/Southwest (Alaska, Arizona, California, Guam, Hawaii, Oregon, New Mexico, Washington).

<sup>4</sup> Industry classifications are: general obligation (full faith and credit obligation), health care, transportation, housing, public power, lease revenue/certificates of participation, and revenue bonds (other than health care, transportation, housing, public power and lease revenue/certificates of participation).

<sup>5</sup> Except for general obligation bonds, where the applicable percentage is 70%.

In addition to these diversification guidelines, the Portfolio Company is diversified according to the structure and type of the underlying Municipal Bonds. Although no particular limits on structure or type is established, the Adviser, as it deems appropriate, maintains a portfolio of underlying Municipal Bonds diversified by the following criteria: coupon, maturity, callability and call date.

#### *Relative Value Investing*

The Portfolio Company, by its direct or indirect investment in residual certificates, Municipal Bonds and Muni Bond Fund Shares, expects to generate income for investors on the basis of the yield advantage provided by the Municipal Bond market (on an after-tax basis) relative to the taxable fixed income market. The leverage of the Portfolio Company, in general, will be driven by the relative value of the Municipal Bond market versus the taxable bond market. A significant risk is “basis risk,” or the risk that an increase in the value of various agreements to hedge against interest rate risks, including forward rate agreements, interest rate swaps, futures, swaptions and options, but not including agreements to hedge against changes in credit quality (the “Financial Agreements”), will not offset a loss in the value of the Investment Securities<sup>6</sup>, or *vice versa*, that an increase in the value of the Investment Securities will not offset a loss in the value of the Financial Agreements.

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<sup>6</sup> “Investment Securities” means (i) Municipal Bonds, (ii) Muni Bond Fund Shares, and (iii) residual certificates.

In order to maximize the yield advantage of Investment Securities, while minimizing basis risk, the Adviser utilizes a “relative value” approach to trading. The Adviser seeks to purchase Investment Securities (held directly or through Investment Subsidiaries) that provide a yield advantage relative to the Municipal Bond market at large, with the intention of outperforming the Financial Agreements over time and thus mitigating the risk of an imperfect hedging arrangement.

#### *Portfolio Monitoring and Hedging Strategy*

The portfolio is marked to market on a daily basis. The Adviser evaluates the appropriateness of each Investment Security for the portfolio on an ongoing basis. Any perceived changes in credit quality, yield spread relative to the Municipal Market Data index or an Investment Security’s relative value causes the Adviser to reevaluate the position. The Portfolio Company intends to capitalize on opportunities occasionally by selling Investment Securities that have appreciated against the Financial Agreements and to liquidate positions perceived by the Adviser to add unreasonable risk to the Portfolio Company. The Adviser also evaluates the Financial Agreements that are in place for each Investment Security and adjusts them based on, among other things, the structure of the particular Investment Security, the current market environment and the Adviser’s view of the direction of the market.

The ongoing assessment (and related investment and divestment) of Investment Securities and Financial Agreements normally results in small, if any, changes to the respective portfolios of the Portfolio Company and Investment Subsidiaries on a daily or weekly basis. In general, the Portfolio Company and Investment Subsidiaries acquire Investment Securities that are attractive on a relative value basis and hold them until those Investment Securities mature (in the case of residual certificates, 80% of the life of the Underlying Muni Securities (other than Muni Bond Fund Shares)). Adjustments to the portfolio generally are incremental and relatively marginal.

The Adviser employs an active risk management strategy utilizing various Financial Agreements. The objective of this strategy is to mitigate the potential loss in value created by Investment Subsidiaries’ ownership in residual certificates upon increases in Municipal Bond rates and corresponding decreases in the value of the Underlying Muni Securities. Because all of the loss in value of Underlying Muni Securities is borne by the holders (direct or indirect) of the underlying residual certificates, the Portfolio Company has significant exposure to interest rate increases. The Financial Agreements are designed to mitigate these risks. There can be no assurance, however, that the Financial Agreements will eliminate all interest rate risks.

The Portfolio Company and Investment Subsidiaries may own Municipal Bonds and Muni Bond Fund Shares. The Portfolio Company and Investment Subsidiaries buy various maturities ranging from very short term — overnight — to long term — 30-year-maturities. The Portfolio Company and Investment Subsidiaries do not necessarily enter into hedging agreements associated with their direct ownership of fixed rate Municipal Bonds or Muni Bond Fund Shares, meaning the Portfolio Company and Investment Subsidiaries could have exposure to interest rate increases. This exposure provides an investor with the same interest rate risk that the investor would incur through the outright purchase of a fixed-rate Municipal Bond or Muni Bond Fund Shares.

#### *Leverage Limits*

The Portfolio Company and Investment Subsidiaries may borrow on a secured or unsecured basis for any purpose, including to increase investment capacity, cover operating expenses and make withdrawal or distribution payments or for clearance of transactions. At any time, the aggregate par value of (i) the Underlying Muni Securities relating to the residual certificates held in the Portfolio Company, at the time of the tender option bond program closing, and (ii) all taxable investments underlying the leveraged taxable investments, are not and may not be greater than ten times the total unreturned capital contributions plus reinvested distributions of the Portfolio Company. The limitation on leverage does not apply to or include any leverage inherent in the Financial Agreements.

## *Risks Related to Investment Strategy*

### Hedging Risks

Developing an effective interest rate risk management strategy is complex, and no management strategy can completely insulate the Fund and the Portfolio Company against (nor does the Adviser intend to attempt to completely eliminate) all potential risks associated with its indirect investment in an economically leveraged position in Municipal Bonds and Muni Bond Fund Shares. For example, the Portfolio Company is exposed to “basis” or spread risk. While the Financial Agreements hedge against losses in value of residual certificates attributable to rising Municipal Bond interest rates, and a corresponding fall in Municipal Bond prices, there is no guarantee that the price performance of the residual certificates and the Financial Agreements will exactly offset one another. Any increase in the value of the Financial Agreements may not be sufficient to offset a decrease in the value of the Investment Securities, and *vice versa*, any increase in the value of the Investment Securities may not be sufficient to offset a decrease in the value of the Financial Agreements. In addition, the Financial Agreements involve transaction costs.

### Credit Risks

The Portfolio Company and Investment Subsidiaries must rely for payment under the Financial Agreements on the creditworthiness of the counterparties. The counterparties are rated at least “A” by Standard & Poor’s Corporation (“S&P”) or “A2” by Moody Investors Service, Inc. (“Moody’s”), and the Financial Agreements are marked-to-market on a daily basis. There can be no assurance, however, that any counterparty will honor its obligations under a Financial Agreement. If a counterparty becomes financially unsound or insolvent, the Portfolio Company or Investment Subsidiaries may be forced to unwind its Financial Agreements with such counterparty and may experience a loss. Further, the Portfolio Company and each Investment Subsidiary could suffer the adverse consequences against which the Financial Agreements were intended to protect. No assurance can be given that the Portfolio Company and Investment Subsidiaries can avoid risks of third-party insolvency.

The Portfolio Company is subject to the risk that issuers or insurers of instruments in which it invests and trades (including governmental entities as well as non-governmental entities) may default on their obligations under such instruments and that certain events may occur which have an immediate and significant adverse effect on the value of such instruments. There can be no assurance that an issuer of an instrument in which the Portfolio Company invests will not default or that an event which has an immediate and significant adverse effect on the value of such instruments will not occur, and that the Portfolio Company will not sustain a loss on a transaction as a result.

### Loss in Value of Residual Certificates And Municipal Bonds

Like other fixed-income investments, upon a general increase in bond rates, the value of Municipal Bonds declines. Because the value of the residual certificates is directly tied to the value of the Municipal Bonds, an increase in Municipal Bond interest rates causes a decrease in the value of residual certificates. Due to the highly economically leveraged position of residual certificates, however, any decrease will be substantially greater, on a relative basis, than the increase in Municipal Bond rates.

### Short-Term Interest Rate Risks

The value of the residual certificates changes as interest rates in general fluctuate. When interest rates decline, the value of the residual certificates can be expected to rise. Conversely, when interest rates

increase, the value of the residual certificates can be expected to decline. The results of the Portfolio Company's operations depend on, among other things, net income from the difference between the return on underlying Municipal Bonds and a floating rate (the "Restructured Rate"). While the interest rate on the underlying Municipal Bonds may be fixed, the Restructured Rate is reset periodically. Interest on the underlying residual certificate is equal to the interest rate on the underlying Municipal Bond, minus the Restructured Rate and the TOB issuer's expenses. The highly leveraged nature of the underlying residual certificates means that any increase in the Restructured Rate will result in at least a 100-fold decrease in the payment rate of the residual certificates. Rising short-term interest rates, therefore, would reduce the net interest income available to the Portfolio Company, and could result in a loss.

#### Callable Certificates

Some of the residual certificates are callable upon the occurrence of certain events. These events typically are: bankruptcy of the TOB issuer, non-payment of any of the Municipal Bonds, a downgrading of the rating of the Municipal Bonds, and a change in the tax treatment on the Municipal Bonds. If any residual certificates are redeemed, the redemption price may be less than the original cost of the redeemed residual certificates. Also, there can be no assurance that upon redemption of a residual certificate, the Portfolio Company will be able to invest in other residual certificates within a reasonable period of time.

#### Restrictions on Transfer; Illiquidity

From time to time, the Portfolio Company may seek to reduce its exposure to any residual certificate by divestiture. The residual certificates have substantial restrictions on transfer, however. There is no developed secondary market for residual certificates, and there can be no assurance that if a secondary market does develop, it will provide the Portfolio Company with liquidity or that such market will continue. Accordingly, the Portfolio Company and Investment Subsidiaries may have difficulty divesting its interest in any residual certificates.

Investments in Muni Bond Fund Shares may be illiquid. Furthermore, a TOB program securitizing Muni Bond Fund Shares is a new instrument and no securitization of Muni Bond Fund Shares has been completed as of the date of this Brochure. Therefore, any investments by the Portfolio Company in TOB programs backed by Muni Bond Fund Shares will be illiquid.

#### Unspecified Assets; Portfolio Turnover; Risk of Uninvested Funds

The specific investments identified and purchased by the Portfolio Company and Investment Subsidiaries changes from time to time through active management by the Adviser. No assurance can be made as to the timing and terms of the investments or whether such investments will be profitable. The risk of a significant and prolonged unleveraged position may be present when (i) Investment Subsidiaries have sold residual certificates, because of a mandatory redemption of residual certificates or otherwise, or (ii) there has been an early termination of any residual certificate and the Portfolio Company is unable to use any proceeds to invest in other residual certificates within a reasonable time.

The Adviser, in cooperation with TOB sponsors, intends to identify Municipal Bonds or Muni Bond Fund Shares to be deposited in TOB programs. There can be no assurance that (i) the Portfolio Company Manager will be able to identify Municipal Bonds or Muni Bond Fund Shares suitable for securitization under TOB programs, (ii) there will not exist, from time to time, economic conditions that will render non-economic or impractical the deposit of Municipal Bonds or Muni Bond Fund Shares in TOB programs, (iii) there will not exist, from time to time, legal constraints or prohibitions on the deposit of Municipal Bonds or Muni Bond Fund Shares in TOB programs, and (iv) the Portfolio Company, Investment Subsidiaries, TOB sponsors and Liquidity Banks can agree on the terms of the various agreements, including without limitation, the reimbursement obligations (the "Reimbursement Obligations") entered into by the Portfolio Company or Investment Subsidiaries.

### Use of Borrowed Funds; Margin Requirements

The Portfolio Company and Investment Subsidiaries may borrow on a secured or unsecured basis for any purpose, including to increase investment capacity, cover operating expenses and make withdrawal or distribution payments or for clearance of transactions. However, the Portfolio Company and Investment Subsidiaries do not expect to incur any significant amount of indebtedness. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the investments purchased or carried and may not be deductible for tax purposes. Gains realized with borrowed funds may cause the Portfolio Company's net asset value (and therefore the Fund's net asset value) to increase at a faster rate than would be the case without borrowings. If, however, investment results fail to cover the cost of borrowings, the Portfolio Company's net asset value (and therefore the Fund's net asset value) could also decrease faster than if there had been no borrowings. In addition, unanticipated increases in applicable margin requirements could adversely affect the liquidity of the Portfolio Company and therefore adversely affect its and the Fund's performance.

### Market Liquidity and Leverage

The Portfolio Company may be adversely affected by a decrease in market liquidity for the instruments traded by the Portfolio Company (e.g., by impairing the Portfolio Company's ability to adjust its positions, balance sheet and risk in response to trading losses or other adverse developments). Changes in the overall market leverage (e.g., deleveraging or liquidations by other market participants of the same or similar positions) may also adversely affect the Portfolio Company's positions.

### Derivative Instruments

The Portfolio Company and Investment Subsidiaries use various derivative instruments. Use of derivative instruments presents various risks:

*Tracking*—When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying instrument sought to be hedged may prevent the Portfolio Company or any Investment Subsidiary from achieving the intended effect or expose the Portfolio Company or any Investment Subsidiary to the risk of loss.

*Liquidity*—Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Portfolio Company and Investment Subsidiaries may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which the Portfolio Company and Investment Subsidiaries may conduct their transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Portfolio Company and Investment Subsidiaries to the potential of greater losses.

*Leverage*—Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments magnifies the gains and losses experienced by the Portfolio Company and Investment Subsidiaries and could cause the Portfolio Company's and Investment Subsidiaries' net asset value (and therefore the Fund's net asset value) to be subject to wider fluctuations than would be the case if the Portfolio Company and Investment Subsidiaries did not use the leverage feature in derivative instruments.

*Over-the-Counter Trading*—Derivative instruments that may be purchased or sold by the Portfolio Company and Investment Subsidiaries may include instruments not traded on an exchange. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which the Portfolio Company and Investment Subsidiaries can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between "bid" and "asked" prices for derivative instruments that are not subject to the same type of government regulation as exchange-traded instruments and many of the

protections afforded to participants in a regulated environment may not be available in connection with such transactions.

#### Availability of Suitable Investment Opportunities

The success of the Portfolio Company's trading activities depends on the Adviser ability to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the capital markets. Identification and exploitation of the investment strategies pursued by the Portfolio Company involves a high degree of uncertainty. No assurance can be given that the Adviser will be able to locate suitable investment opportunities in which to deploy all of the Portfolio Company's capital. A reduction in the volatility and pricing inefficiency of the markets in which the Portfolio Company seeks to invest, as well as other market factors, will reduce the scope for the Portfolio Company's strategies.

#### Limited Information Concerning the Underlying Muni Securities and Underlying Residual Certificates

This Brochure does not purport to disclose current material information concerning any specific Investment Securities. This Brochure only describes general characteristics of the Investment Securities. The actual terms of the Investment Securities purchased by the Portfolio Company may vary significantly from the terms described in this Brochure.

#### Reimbursement Obligations; Early Termination of Reimbursement Obligations

The Investment Subsidiaries enter into reimbursement obligations to pay the TOB sponsors' obligations to the banks or investment banks (the "Liquidity Banks"). Upon the occurrence of a certain liquidity payment event, the aggregate reimbursement amounts payable by Investment Subsidiaries could be significantly greater than the aggregate of Investment Subsidiaries' investment in the residual certificates.

The Portfolio Company and Investment Subsidiaries are subject to certain collateral requirements and asset tests provided under certain reimbursement obligations and the Financial Agreements. Failure by the Portfolio Company or Investment Subsidiaries to meet these collateral requirements or asset tests may constitute a default under the agreements and could result in substantial payments by the Portfolio Company or Investment Subsidiaries, depending on market conditions at the time of default. A termination of a Reimbursement Obligation by the Liquidity Banks or the TOB sponsors may result in the early termination of the investments in residual certificates.

The Portfolio Company's income or gain is reduced by amounts payable under the Reimbursement Obligations and losses on the disposition of Municipal Bonds, Taxable Investments, leveraged taxable investments, Muni Bond Fund Shares and residual certificates held by Investment Subsidiaries and is reduced by payments made under the Financial Agreements, to the extent deductible. The Portfolio Company's net asset value also is increased or reduced by any changes in the value of residual certificates that are not offset by gains or losses under the Financial Agreements. If the Portfolio Company is required to pay, directly or indirectly, Reimbursement Obligations, the value of the Fund's Portfolio Company Interests may be reduced substantially or may even be reduced to zero.

#### Collateral Requirements and Asset Tests

The Portfolio Company and Investment Subsidiaries are subject to collateral requirements under any Reimbursement Obligations relating to residual certificates held by Investment Subsidiaries and the Financial Agreements. The Investment Subsidiaries may pledge the residual certificates to secure its obligations under the Reimbursement Obligations. The Investment Subsidiaries may also grant security interests in their taxable investments, leveraged taxable investments and Municipal Bonds to secure their obligations under the Financial Agreements. In addition, the Financial Agreements may require Investment Subsidiaries to meet certain asset tests. These collateral requirements and asset tests limit the

assets from which the Portfolio Company and Investment Subsidiaries can make distributions.

Effect of Substantial Withdrawals

If there are substantial withdrawals from the Investment Vehicles by investors, the Portfolio Company manager might be required to liquidate positions at an inappropriate time or on unfavorable terms in order to provide sufficient funds to pay such withdrawals.

Effect of Contingent Incentive Allocation

The Contingent Incentive Allocation may result in substantially higher payments to the Adviser, as the Fund Manager, than alternative arrangements in other types of investments. The existence of the Contingent Incentive Allocation may create an incentive for the Adviser, as the Portfolio Company Manager, to make riskier or more speculative investments than it would otherwise make in the absence of such allocation. The Contingent Incentive Allocation includes amounts in respect of any unrealized appreciation of the Portfolio Company's investments.

**Investing in securities involves a significant risk of loss that each of the Adviser's clients should be prepared to bear.**



**Item 9      Disciplinary Information**

None.

## **Item 10     Other Financial Industry Activities and Affiliations**

### *Other Financial Industry Activities*

Neither the Adviser nor any of its management persons is registered as a securities broker-dealer, and there is not currently an application pending related to such registration.

Neither the Adviser nor any of its management persons is registered as a futures commission merchant, commodity pool operator or commodity trading adviser, and there is not currently an application pending related to such registration.

### *Material Affiliations*

Certain principals and/or associated persons of the Adviser may also be affiliated as owners and/or registered representatives of Bigelow & Company, LLC, a securities broker/dealer registered with FINRA. On occasion, Bigelow & Company will act as the placement agent in offerings of limited partnerships and limited liability companies.

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

### *Code of Ethics*

The Adviser has adopted a Code of Ethics addressing the following:

- Fiduciary Responsibility- the Adviser and its staff shall exercise the highest standard of care in protecting and promoting the interests of its clients, and will provide a written disclosure containing any conflicts of interest that may compromise their impartiality or independence. As fiduciary, the Adviser shall not accept any referral fees or compensation that is contingent upon the purchase or sale of any financial product;
- Integrity- all professional services shall be rendered with the highest level of integrity;
- Objectivity- the Adviser and its staff shall provide advice that is objective and in the best interest of the client and without conflicts of interest;
- Competence- the Adviser and its staff shall maintain the necessary knowledge and skills to provide the client with competent advice and services;
- Fairness- all the professional services shall be performed by the Adviser and its staff in a manner that is fair and reasonable to its clients;
- Confidentiality- the Adviser and its staff shall maintain and safeguard all confidential client information in accordance with applicable laws;
- Diligence- the Adviser and its staff shall ensure the accuracy and completeness of records, information, and data collected, used and managed, and will take necessary steps to correct any discrepancies; and
- Regulatory Compliance- the Adviser and its staff shall comply fully with appropriate laws and internal regulations.

The Adviser will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

### *Certain Conflicts of Interest*

The Adviser recommends that the Fund invest in the Portfolio Company and Investment Subsidiaries and the Adviser is a manager for the Portfolio Company and receives management fees from such Portfolio Company and is the investment adviser to the Investment Subsidiaries and receives advisory fees from the Investment Subsidiaries.

Although the Adviser and its affiliates devote such time and effort as may be reasonably required to implement the objectives of the Fund, the Portfolio Company and Investment Subsidiaries, they are not required to devote all of their working time to such affairs. Affiliates of the Adviser may provide services for other entities and persons. Additionally, the Adviser and its affiliates make investments for their own accounts, are affiliated with other entities in the Municipal Bond industry and may become affiliated with more entities in the Municipal Bond industry in the future. Such other entities in addition to the other companies discussed above, whether now existing or created in the future, could compete with the Portfolio Company for the purchase and sale of investment opportunities. If a conflict of interest arises, the Portfolio Company will endeavor to resolve it fairly.

**Item 12      Brokerage Practices**

The Adviser selects broker-dealers based upon which broker-dealers are able to broker transactions in the Municipal Bonds or other securities selected by the Adviser. Where multiple dealers have access to such Municipal Bonds or other securities, the Adviser generally chooses dealers based on timing, price, reputation, past business experiences and whether a counterparty to any hedging transaction has a broker-dealer preference. The Adviser attempts to use several broker-dealers to diversify to the extent feasible.

**Item 13      Review of Accounts**

Clients of the Adviser are managed and reviewed on a continuous basis. Overall investment portfolio management, market prospects and individual issue prospects are considered in the review process. All account reviews are conducted by a team of professionals who are responsible for the account. The reviewers include Robert Bigelow III, William J. Fleming, Paul E. Sinsar and Brian Bigelow.

The Adviser furnishes the Fund with audited annual financial statements within 90 days after the end of each fiscal year and quarterly unaudited financial reports within 60 days after the end of each quarter. The Adviser also furnishes such information as is necessary to complete U.S. federal and state income tax or information returns.

**Item 14    Client Referrals and Other Compensation**

Not applicable.

**Item 15     Custody**

Investors in the Fund will receive quarterly statements via mail from Hart Administration Services, LLC, a third-party administrator for the Fund. These statements will also be posted by Hart Administration Services to a secure, password-protected website that is accessible only by the individual investor in the Fund. Each investor in the Fund should carefully review those statements.

**Item 16     Investment Discretion**

The Adviser has authority to determine, without obtaining specific client consent, the (i) securities to be bought or sold, (ii) amount of securities to be bought or sold, (iii) broker or dealer to be used, and (iv) commission rates to be paid.



**Item 17     Voting Client Securities**

The Adviser will vote any proxies relevant to securities held by the Fund, the Portfolio Company or the Investment Subsidiaries, whether in the capacity of the manager of the Fund and the Portfolio Company or as investment advisor to the Investment Subsidiaries.

## Item 18 Financial Information

### Pre-Payment of Fees

The Adviser does not require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance.

### Material Impact of Discretionary Authority

The Adviser may exercise *discretionary authority* over certain *client* funds or securities. However, the Adviser does not anticipate any financial condition that may be reasonably likely to impair its ability to meet contractual commitments to *clients* at this time.

### Custody Disclosure

The Adviser does not have custody of client funds or securities.

### Bankruptcy Disclosure

The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.

## Item 19 Requirements for State-Registered Advisers

### Executive Officers and Management Persons

The following is a list of all principal executive officers and *management persons*, to include their formal education and business background information:

#### ***Robert Bigelow III***

Robert Bigelow III is the Managing Director and sole manager of the Adviser. Mr. Bigelow developed the proprietary trading strategies and techniques utilized by the Portfolio Company and is primarily responsible for daily portfolio management and trading. In addition, Mr. Bigelow is a Managing Director of Bigelow Asset Management, LLC. Bigelow Asset Management, LLC is a Denver-based asset management firm. Mr. Bigelow is a member of the Board of Directors for the Adviser's affiliated broker-dealer, Bigelow & Company, LLC. He is also Director and President of the initial Investment Subsidiaries and may serve in such capacity or as manager of any Investment Subsidiaries formed in Delaware.

Prior to forming the Adviser, Mr. Bigelow was a Managing Director at Bear Stearns where he was head of the Municipal Derivative Products Group. In this capacity, Mr. Bigelow was responsible for the firm's municipal derivative trading activity, portfolio risk management and product development. Among the portfolios overseen by Mr. Bigelow were a \$1.0 billion Tender Option Bond Program ("TOB") and a \$2.0 billion flex repo book.

Mr. Bigelow began the Municipal Derivative Products Group at Bear Stearns after leaving Credit Suisse Financial Products, where he was one of two founding members of a municipal derivative joint venture with Credit Suisse First Boston in 1993. From 1990 to 1993, he was a member of Lehman Brothers Derivative Products and Public Finance Departments.

Mr. Bigelow graduated from Yale University in 1990.

#### ***Paul E. Sinsar***

Paul E. Sinsar is responsible for supervision of portfolio positions and risk exposure and all trading room activity for the Adviser. In addition, Mr. Sinsar is an Executive Vice President of Bigelow Asset Management, LLC. He is also Director and Secretary of the initial Investment Subsidiaries.

Mr. Sinsar was co-manager in charge of risk management and distribution for the Municipal Bond department of George K. Baum & Co. from 1990 to 1995, where he built one of the most respected sales and trading operations in the Municipal Bond industry, managing a volume of transaction in excess of \$10 billion per year.

Mr. Sinsar also served as head of the Municipal Bond department of Drexel Burnham from 1989 to 1990 and was the national sales manager from 1984 to 1988. Prior to that, he was a senior municipal trader at Morgan Bank, Lazard Freres & Co. and Salomon Brothers.

Mr. Sinsar graduated from Princeton University in 1972.

All advisory fees to include *performance-based fees* and how these fees will be calculated are previously

disclosed above in Item 6 Performance-Based Fees and Side-By-Side Management.

All material facts involving disclosure events for management persons are previously disclosed above in Item 9 Disciplinary Information.

All relationships or arrangements involving *management persons* are previously disclosed above in Item 10 Other Financial Industry Activities and Affiliations and Item 12 Brokerage Practices.