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GORDON ASSET MANAGEMENT LLC

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This brochure provides information about the qualifications and business practices of Gordon Asset Management LLC (the "Firm"). There have been no material changes since the Firm's last updating amendment. If you have any questions about this brochure please contact us at (914) 921 5500 or [info@gordonasset.com](mailto:info@gordonasset.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authorities. Additional information about the Firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **I. ADVISORY BUSINESS**

### **A. Background**

Gordon Asset Management LLC is an investment adviser and asset manager specializing in portfolio management for high net worth investors and private funds, including funds-of-funds. The Firm has been offering investment advisory services since 1997. Arthur S. Gordon is the Firm's founder and principal owner. As of December 31, 2011, the Firm had a total of \$51 million of assets under management. All of the Firm's assets under management are discretionary.

### **B. Advisory Services Offered**

The Firm provides advisory services to: A) high net worth families and individuals and other individual investors ("Individual Clients") and B) pooled investment vehicles, including funds-of-funds ("Gordon Funds" or "Funds"), (collectively with Individual Clients "Clients"). The Firm provides investment advice across a wide range of strategies broadly categorized as Alternative and Hedged Investments, Domestic and Global Equities, Domestic and Global Fixed Income, Taxable and Tax-Exempt Fixed Income. These investment strategies can involve many types of investments such as separate accounts managed by other investment managers, pooled investment vehicles such as hedge funds, mutual funds, and other securities.

The majority of strategies the Firm uses involve its selection of investment funds or separate accounts managed by third-party investment managers who have discretion over security selection. The Firm places great importance on the research that supports its selection of investment funds and managers, and works with Fortigent, LLC a research, consulting and reporting company that provides the Firm with extensive research and investment options to support the selection of investments for Client portfolios.

The Firm does not provide tax and legal advice. However, upon request the Firm may provide consulting services to clients, and work with and support client's tax and legal counsel in a variety of areas.

### **C. Customized Services**

The Firm tailors advisory services to the investment objectives of each Client. Client's work directly with the principals of the firm and receive personalized investment guidance.

### **D. Management Team**

The following is a brief background of each member of the Firm's management team:

- **Arthur S. Gordon - Managing Member**

Prior to founding the Firm in 1997, Arthur was head of the global valuation practice at Arthur Andersen, LLP, a world wide professional services firm where he was a partner from 1975-1995. Arthur holds a Bachelor of Business Administration from the City University of New York Baruch College, a Bachelor of Laws from Brooklyn Law School and was a Certified Public Accountant.

- **David L. Gordon - President and Chief Compliance Officer**

Prior to joining the firm, David was the Chief Operating Officer of P2 Management, LLC a New York based investment manager of long/short equity hedge funds. David started his investment career in the equity research department of Donaldson Lufkin Jenrette and Credit Suisse First Boston. He has a Bachelor of Arts from Emory University and a Juris Doctorate degree from Brooklyn Law School.

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## **II. FEES AND COMPENSATION**

### **A. Advisory fees charged to managed accounts for Individual Clients**

The advisory fee charged to Individual Clients is an annual 1% of the net asset value of the Assets in each account under management. The advisory fee is prorated and paid monthly, in arrears, for the initial period based upon the net asset value of the Assets, and for subsequent monthly periods, on the first date of each calendar month, based on the net asset value on the last day of the previous calendar month. Advisory fees are automatically deducted from Individual Client accounts. Assets that Individual Clients invest in Gordon Funds subject to Management Fees payable to the Firm are not subject to Advisory Fees. Fees are negotiable and may differ based on account size, strategy and complexity among other factors.

### **B. Expenses charged to managed accounts for Individual Clients**

Clients are responsible for and do incur other expenses separate and apart from the Firm's advisory fees. These expenses typically include custody fees, reporting fees, brokerage services and other transaction fees, expenses associated with the investment vehicle in which their assets are invested (such as mutual fund expenses), and fees associated with separate accounts managed by third-party investment managers (such as portfolio management fees). The Firm recommends no-load mutual funds to Clients. Brokerage practices are discussed in Section VIII of this document.

### **C. Management fees charged to Gordon Funds**

The management fee charged to Gordon Funds ranges from an annual 0.75%-1.5% of assets under management and is payable monthly in arrears. The Firm also charges a performance based fee to certain Funds.

### **D. Expenses charged to Gordon Funds**

Gordon Funds are responsible for and do incur other expenses separate and apart from the Firm's management and performance based fees. These expenses typically include ongoing costs and expenses and overhead expenses. Ongoing costs and expenses include audit, administration, legal, custody fees, research, consulting, reporting, brokerage services and other expenses. The Firm recommends no-load mutual funds to Clients. Brokerage practices are discussed in Section VIII of this document. Overhead expenses include a reimbursement of rent, office support, technology, and other expenses not to exceed 1% of net asset value per annum. The overhead expenses reimbursed by the Funds may create an incentive for the Firm to recommend Gordon Funds over managed accounts for Individual Clients. Fees are negotiable and may differ based on account size, strategy and complexity among other factors.

### **E. Other Compensation**

Neither the Firm nor any of its personnel accept compensation for the sale of securities or other services or other investment services or products, except that incidental reporting fees may be charged to certain Clients.

### **F. Performance Based Fees**

The Firm receives a performance-based fee called a profit allocation from some Funds based on the capital appreciation of the Fund's assets. This Fee, which varies by Fund, generally consists of 15% or 20% of the Fund's realized and unrealized investment returns over a hurdle rate of 5% or 8% per annum. Performance-based compensation may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of the performance-based compensation. Performance-based compensation may create an incentive for the Firm to place investments with higher expected returns in Client accounts that pay performance-based compensation. The performance on which performance-based compensation is calculated includes unrealized appreciation and depreciation of investments that may not ultimately be realized. The Funds that charge performance-based fees are subject to a high watermark which means that performance-based fees are not charged if an investor's year-end capital account net asset value is lower than the previous year end net asset value adjusted for withdrawals. The performance-based fees are also subject to a loss carryforward provision which means that no performance-based fees are charged until a Fund investor's prior year losses, adjusted for withdrawals, have been recouped in the investor's capital account.

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### **III. TYPES OF CLIENTS**

#### **A. Individual Clients advised by the Firm**

The Firm provides advisory services to high net worth and other individuals and families. The minimum dollar amount of assets ordinarily required for the establishment of investments advised by the Firm is a total of \$3,000,000 for an individual or family client. Smaller investments may be accepted in the Firm's sole discretion, which may be granted on an accommodation basis or when it is deemed likely that the minimum dollar size will be achieved by subsequent investments within a reasonable period of time.

#### **B. Funds advised by the Firm**

Gordon provides investment advice to Funds organized as limited liability companies and to a Fund organized as an offshore corporation registered with the Cayman Islands Monetary Authorities. These private Funds are not registered under federal securities laws and typically utilize sophisticated investment strategies. Investors in the Funds are generally required to qualify as "accredited investors" under Rule 501(a) of Regulation D, as Amended, under the Securities Act of 1933, As Amended, and/or as "qualified purchasers", and/or "qualified clients" as defined under Section 2(a) (51) of the Investment Company Act of 1940, as amended.

The Firm provides investment advice to the following Funds: Gordon Core Alternatives I, LLC (the "Open Fund") and Gordon Associates LLC, AIJED Associates LLC, AIJED Associates QP LLC, and AIJED International, Ltd. (collectively the "Closed Funds"). The Closed Funds are not currently open to new investors.

The minimum investment in the Open Fund is \$250,000. Smaller investments may be accepted in the Firm's sole discretion, which may be granted on an accommodation basis or when it is deemed likely that the minimum dollar size will be achieved by subsequent investments within a reasonable period of time.

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### **IV. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### **A. Methods of Analysis**

The majority of strategies the Firm uses involve its selection of investment funds or separate accounts managed by third-party investment managers who have discretion over security selection. The Firm places great importance on the research that supports its selection of investment funds and managers, and works with Fortigent, LLC a research, consulting and reporting company that provides the Firm with extensive research and investment options to support the selection of investments for Client portfolios. The historical track record of a third-party manager or fund, investment strategy description, and other information is reviewed when making investment decisions for Client portfolios.

#### **B. Investment Strategies**

The Firm's strategies include:

- **Alternative and Hedged Investments**

The Alternative and Hedged Investment strategies target growth through investments which may include, but are not limited to concentrated or diversified portfolios of private partnerships, managed accounts and investment funds pursuing long/short equity, managed futures, global credit, structured credit, distressed, event driven, multi-strategy, mortgages, private equity, and other alternative investment strategies which may extensively utilize shorting, derivatives, leveraging and other strategies for exposure and hedging.

- **Domestic and Global Fixed Income, Taxable or Tax Exempt Fixed Income**

Domestic and Global Fixed Income strategies target income through investments which may include, but are not limited to core managed accounts of taxable or tax-exempt bonds, investment funds investing in corporate and government bonds, bank loans, asset-backed securities, high yield and other fixed, floating-rate and inflation-indexed income and equity securities and which may utilize derivatives and other strategies for exposure and hedging.

- **Global Equities**

Global Equity strategies target growth through investments which may include, but are not limited to managed accounts and investment funds investing in long-only domestic, international and emerging market equities. These investments may also include multiple investment styles such as core, value and growth across sectors such as domestic all cap, large cap, small-mid cap, micro cap, international large cap, small-mid cap, and all cap, and emerging markets.

**C. Risks of Investing in Funds and/or accounts advised by the Firm**

Investing in securities in general involves risks, including the risk of illiquidity and loss of all or part of the investment that clients should be prepared to bear. All risks do not apply to all strategies and some strategies have more of one type of risk than another strategy. The Firm's investment strategies and the type of investments it makes for Clients present the following material risks:

- *Hedge Fund Risks:* In comparison to other investment options, hedge funds may have higher levels of risks, including derivatives risks, leveraging risks, counterparty/credit risks, illiquidity, and other risks. Hedge funds can employ strategies that involve, but are not limited to, the following: limited liquidity; limited disclosure of underlying investments and investment strategies; higher management fees; high performance fees that can lead to higher risk taking; higher use of leveraging and derivatives. Hedge funds are also generally granted a large amount of control in their documents that can lead to increased illiquidity.
- *Liquidity Risks:* The risk that underlying funds or securities are or may become difficult to purchase or sell. Investments in illiquid securities may cause losses because it may be difficult or impossible to sell the illiquid securities at an advantageous time or price and the market for certain investments may become illiquid under adverse market or economic conditions.
- *Market Risks:* The risk that the price of underlying funds and securities may go up and down, sometimes rapidly and unpredictably, due to factors affecting the financial and securities markets generally or factors affecting particular industries.
- *Foreign Market Risks:* The risk of investments in foreign and emerging market securities, including rapid and unpredictable fluctuations in value due to market and other risks.
- *Independence of Managers:* The risk of not having any control or influence over the investment managers of underlying funds and/or separate account manager as to their choice of investments, or other investment decisions which affect risk, which are within the sole discretions and control of such managers.
- *Concentration/Non-Diversification Risks:* The risk of investing a substantial amount in a small number of investments and/or funds, including private pooled investment vehicles or hedge funds, and not being limited in the amount of assets which may be committed to any one position. The investment loss, illiquidity, or default of an underlying fund and/or separate account manager could cause substantial illiquidity and loss of investment. In addition, underlying funds and/or separate account managers may invest in a small number of funds, issuers, industries, foreign currencies, and/or types of securities that may increase risks, including, but not limited to, risks associated with a single economic, political or regulatory occurrence that may lead to substantial liquidity, credit or other risks.
- *Reliance on Data Provided By Third Parties:* The risk of reliance on data provided by third-parties, including the underlying funds and/or separate account managers, auditors, administrators, custodians, data and research providers, and others, which although believed to be reliable, may not be independently verified, its accuracy and completeness not guaranteed, and losses may result from reliance on such information and data.
- *Counterparty/Credit Risks:* The risk that the issuer or guarantor of a security, or the counterparty to a contract, including, but not limited to, a derivatives contract, repurchase agreement, or the borrower of securities, is unable or unwilling to make timely principal and/or interest payments or otherwise honor its obligations. Litigation,

legislation or other political events, local business or economic conditions, or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest.

- *Leveraging Risks:* The risk incurred by leveraging and borrowing including, but not limited to, causing underlying funds and/or separate account managers to liquidate portfolio positions to satisfy obligations or to meet segregation requirements when it may not be advantageous to do so. In addition, leveraging and borrowing may cause an investment to be more volatile than if the investment had not been leveraged because it tends to exaggerate the effect of any increase or decrease in the value of an investment or portfolio of securities.
- *Fraud Risks:* The risk that even if the Firm attempts to minimize fraud risks and use prudent business judgment in selecting underlying funds, separate account managers and securities, and may or may not hire third-party specialists to perform due-diligence, that there is not any way to guarantee that the Firm and the underlying funds and/or separate account managers and securities in which it invests will not have any exposure to fraud or malfeasance.
- *Derivatives Risks:* The risk of investments in derivatives including liquidity risks, interest and currency rate risks, credit and counterparty risks, and the risk that losses could exceed the amount of the investment.
- *Asset Backed Security Risks:* The risk of investments in asset backed securities including securities backed by mortgages, credit cards and other loans, including liquidity risks and credit and counterparty risks.
- *Commodities Risks:* The risk of investments in commodities including rapid and unpredictable fluctuations in value due to Market and other risks.
- *Exchange Trades Fund/Index Fund Risks:* The risk of investments in exchange traded funds and index funds, which are subject to Market and other risks, including the risk that the net asset value of the funds is different than the value of underlying assets and securities.
- *Regulatory Risks:* The risk that legislative, regulatory, or tax developments may affect the investment techniques available to the Firm, underlying funds, separate account managers and other securities, and may adversely affect Clients' investments, liquidity and investment objectives.

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## **V. DISCIPLINARY INFORMATION**

The Firm and its supervised persons have not been involved in any legal or disciplinary events that are material to a Client's or potential Client's evaluation of its advisory business or the integrity of the Firm's management.

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## **VI. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Firm does not have any relationship or arrangement that is material to its advisory business with any related persons.

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## **VII. CODE OF ETHICS, PARTICIPATION OR INTERESTS IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

### **A. Code of Ethics**

The Firm is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). In accordance with Rule 204A-1 under the Advisers Act, the Firm has adopted a codes of ethics ("Code of Ethics") to prevent violations of federal securities laws. This Code of Ethics is intended to help the Personnel of the Firm to understand the Firm's obligations as a registered investment adviser and to assist the Firm Personnel in complying with these obligations.

The Code of Ethics involves the Firm's policies regarding personal trading and outside business activities of Firm personnel. It also involves the Firm's policies regarding the protection of confidential, non-public information, including the review of the personal securities accounts of Firm personnel, for evidence of manipulative trading, trading ahead of clients and trading on non-public information (inside information) known as insider trading.

The Code of Ethics requires Firm personnel with access to Client's investments, portfolio information, and recommendations, known as Access Persons, to report initially, quarterly, and annually their and their immediate family members (sharing the same household) securities holdings and transactions to the Firm's Chief Compliance Officer. In addition, each Access Person is required by SEC Rule to obtain pre-approval of any trades in initial public offerings or private placements with the Firm's Chief Compliance Officer.

Upon request in writing or by calling, the Firm will provide to any client or prospective client a copy of the Firm's Code of Ethics.

#### **B. Recommendations that Individual Clients invest in Gordon Funds**

Individual Clients advised by the Firm may receive a recommendation to invest in Funds advised by the Firm. Performance-based compensation charged by certain of these Funds may create an incentive to recommend these Funds over other investments that do not charge Performance-based compensation. Performance-based compensation may also create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of the performance-based compensation. Capped overhead expenses reimbursed by the Funds may create an incentive for the firm to recommend the Funds over other investments. The Firm addresses these conflicts by disclosing the fees and expenses charged to the Funds and reporting the performance of the Funds after all fees and expenses, including any performance-based compensation.

#### **C. Firm and/or Firm Personnel investments in Gordon Funds**

The Firm and / or Firm Access Persons may be invested directly or indirectly in one or more of the Funds advised by the Firm. The Firm addresses conflicts that may arise from these investments by monitoring the securities holdings and transactions of the Firm and/or Firm Access Persons for any improper trading activity.

#### **D. Firm and/or Firm Personnel investments in securities recommended to the Firm's Clients**

The Firm and/or Firm Access Persons may be invested directly or indirectly in the same securities recommended to Clients of the Firm. The Firm and/or Firm Access Persons may invest in the same securities recommended to Clients of the Firm at or about the same time the Clients of the Firm invest in those securities. The Firm addresses conflicts that may arise from these investments by monitoring the securities holdings and transactions of the Firm and/or Firm Access Persons for any improper trading activity.

#### **E. Monitoring of Personnel Trading**

Firm personnel with access to portfolio or investment information must report securities transactions to the firm's Chief Compliance Officer on a quarterly basis. Each person must also report securities holdings annually. The Chief Compliance Officer monitors these personal securities transactions and holdings to ensure compliance with securities laws and fiduciary duties. The firm has a system in place to prevent Access Persons from taking advantage of their position with the Firm for personal gain.

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### **VIII. BROKERAGE PRACTICES**

#### **A. Selection of Broker-Dealers**

The Firm has no obligation to do business with any particular broker-dealer in the execution of client transactions in securities. If the Firm places any orders for the purchase or sale of securities it has a fundamental duty to seek the best execution for its clients which means the execution of orders at the most favorable prices reasonably obtained. In so doing, the Firm will consider a number of factors including, without limitation, the overall direct net economic result to the client (including commissions which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range), the financial strength, reputation and stability of the broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all where a large block is involved and the availability of the broker to stand ready to execute possibly difficult transactions in the future.



## **B. Soft Dollar Benefits**

"Soft dollars" generally refers to arrangements whereby an investment adviser pays increased commissions to a broker compared to other brokers for executing transactions in return for research and other services. The Firm as a policy and practice does not engage in "soft dollar" arrangements.

## **C. Brokerage for Client Referrals**

The Firm does not receive Client referrals from any broker-dealer.

## **D. Directed Brokerage**

For accounts of Individual Clients, the Firm does not have the discretionary authority to determine the Broker(s) to be used or the commission rates to be paid by Clients. Individual Clients must direct the Firm as to the Broker(s) to be used. The Firm requests that Clients direct them to place trades through Charles Schwab & Co., Inc. (together with its family of affiliated companies and subsidiaries, "Schwab"). The Firm has evaluated Schwab and believes that it will provide Clients with a blend of execution services, commission costs and professionalism that will assist the firm in meeting its fiduciary obligations to Clients. The Firm has chosen Schwab as the broker for exchange-traded securities held by the Gordon Funds. The Firm is independently owned and operated and not affiliated with Schwab.

The Firm reserves the right to decline acceptance of any Client account for which the Client directs the use of a broker other than Schwab if the Firm believes that this choice would hinder its fiduciary duty to the Client and/or its ability to service the account and achieve most favorable executions of Client transactions. In directing the use of Schwab it should be understood that the Firm may not have the authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the Client and those charged to other Clients (who may direct the use of another broker). Clients should note, while the Firm has a reasonable belief that Schwab is able to obtain best execution and competitive prices, the Firm will not be independently seeking best execution price capability through other brokers.

## **E. Aggregation (Bunching) of Trades**

The Firm's investment strategies almost exclusively involve the buying and selling of mutual funds and other pooled investment vehicles and does not involve the aggregation (bunching) of Client security trades for execution and therefore does not impact Client costs.

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# **IX. REVIEW OF CLIENT ACCOUNTS**

## **A. Client Account Reviews**

The Firm periodically reviews Client accounts for suitability and meeting Client investment objectives. Individual Clients are responsible for informing the Firm in writing if there is any change in their financial position, investment objectives, risk tolerance or any other information in their client profile. The Chief Compliance Officer is responsible for all Client account reviews.

## **B. Reports provided by Funds**

The Gordon Funds send investors: A) written quarterly reports that include capital account information and B) annual financial statements audited by an independent public accountant registered with the Public Company Accounting Oversight Board. Continuing investors in Funds who sign and agree to the terms in a Reporting Agreement with the Firm can view estimated net asset values and performance information of their investments on the Firm's reporting website.

## **C. Reports provided to Individual Clients**

Individual Clients are sent account statements from their account custodians and written quarterly reports that include capital account information from private fund investments. Individual Clients who sign and agree to the terms in a

Reporting Agreement with the Firm can view net asset values and performance information of their investments and accounts on the Firm's reporting website and may periodically receive a consolidated portfolio report that details investment performance, inflows/outflows, gains/losses and other important data in a central performance report.

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**X. CLIENT REFERRALS AND OTHER COMPENSATION**

The Company does not directly or indirectly compensate any person for client referrals.

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**XI. CUSTODY OF CLIENTS' CASH AND SECURITIES**

The Firm does not maintain physical custody of assets in separately managed accounts for Funds or Individual Clients. Individual Clients receive monthly reports from the custodian of the Client's managed accounts and should carefully review those statements. For its Fund clients, the Firm has the power to withdraw funds or securities from client accounts and has possession of client securities in pooled investment vehicles and private funds. Therefore, the Firm is deemed to have custody and Funds send investors annual financial statements audited by an independent public accountant registered with the Public Company Accounting Oversight Board.

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**XII. INVESTMENT DISCRETION**

The Firm accepts discretionary authority to manage securities accounts on behalf of Clients which includes the buying and selling of securities and the authority to give instructions to the broker-dealer of the accounts and the custodian of the assets of the account. Individual Clients may inform the Firm in writing of any limitations placed on this investment discretion. Prior to the Firm assuming this discretionary authority, the Firm requires the client to execute the Discretionary Investment Management Agreement.

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**XIII. VOTING CLIENT SECURITIES**

From time to time companies in which the Firm invests may submit certain matters to a vote of its security holders. The right to vote is usually exercised through a document called a Proxy whereby a security holder enters a vote.

Except as otherwise agreed, generally Individual Clients will be responsible for: (a) directing the manner in which proxies solicited by issuers of securities shall be voted, and (b) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to those securities.

If the Firm agrees to vote proxies for a Client pursuant to the terms of an investment management agreement with the Client, for any security of which such Client owns more than a combined \$10,000 worth of shares in any separate account at the time of a proxy solicitation, the Firm will vote securities in order to improve (in the sole judgment of the Investment Adviser) shareholder value, considering all known relevant facts and circumstances in making its voting decision. Where such separate account holds less than \$10,000 worth of shares it is presumed but not required that the Firm would vote with management. With regard to the Firm's voting of any proxies, where the Firm is or becomes aware of a conflict between accounts, including separate accounts, investment entity accounts, access person accounts, including employee accounts and principal accounts, a committee composed of the Managing Member and the Chief Compliance Officer will review the situation and make a final determination as to how to vote such proxies to minimize any such conflicts.

Investors may request further information about the proxy voting policy and proxy votes cast by writing to the Firm or calling (914) 921-5500.

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**XIV. FINANCIAL INFORMATION**

There are no financial conditions that are reasonably likely to impair the Firm's ability to meet contractual commitments to Clients.