

BROCHURE OF
Harry S. Bower LLC

A Delaware Limited Liability Company registered with the Securities and Exchange Commission as an Investment Adviser (IARD #140303/SEC No.801-66790)

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THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF HARRY S. BOWER LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 800-942-6180.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES AUTHORITY HAS PASSED UPON THE ADEQUACY OR ACCURACY OF THIS BROCHURE. REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING. ADDITIONAL INFORMATION ABOUT HARRY S. BOWER LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

The date of this brochure (the "Brochure") is

March 29, 2012

Material Changes to Brochure

There are no material changes to report regarding our advisory business.

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I. Part 2A – DISCLOSURE ITEMS ABOUT FIRM

Item 4. Advisory Business:

(A) **Operational and Organizational Information:** Harry S. Bower, LLC (“Firm”), a U.S. Securities and Exchange Commission (“SEC”) registered investment adviser. As stated on the cover page of this Brochure, registration as an investment adviser does not imply a level of skill or training. Firm has been in business since April of 2006. The principal owner of Firm is Harry S. Bower (“Managing Member”).

(B) **Types of Advisory Services Offered:** Firm provides investment management services to separate account clients (“clients” also referred to as “client accounts”) on a discretionary and non-discretionary basis.

The advisory services include, among other things, providing advice regarding asset allocation and the selection of investments. Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, etc.).

The investment process starts with establishing and then monitoring each client’s appropriate asset allocation. Each client’s risk tolerance and financial objectives will be considered in tailoring an asset allocation that is suitable for the individual. This allocation will primarily include equities, fixed income and cash equivalents, but may from time to time include other areas such as gold, commodities, real estate, foreign currencies and high yield debt instruments.

Primary emphasis will be on large capitalization, publicly traded, domestic and international common stocks.

(C) **Client Investment Guidelines and Parameters:** In certain instances, upon client request, Firm may tailor its advisory services to the individual needs of separately managed accounts. Clients may also impose restrictions on investing in certain securities or types of securities by specifying such restrictions in a written notice to Firm. Firm provides discretionary and/or non-discretionary investment advisory services to all fee paying clients’ accounts. In connection with managing a client’s investments, such client’s investment management agreements provide investment guidelines and parameters that provide the context within which Firm renders its investment management services,

subject to such investment decisions being approved by the relevant client.

(D) **Wrap Fee Programs:** Firm does not participate in wrap fee programs.

(E) **Client Assets Under Management:** *(rounded to the nearest \$100,000)*

(i) Discretionary: \$23,000,000 as of February 23, 2012

(ii) Non-discretionary: \$17,700,000 as of February 23, 2012

Item 5. Fees and Compensation:

(A) **Generally:** All fees are individually negotiated. Circumstances considered when negotiating fees may include, without limitation, customary market rates, specialized guidelines, and other performance/incentive fee arrangements with the client.

Management fees (“Management Fees”) for separately managed are calculated based on an annual percentage of the value of the assets under management.

In addition, Firm may collect performance/incentive fees based on the performance of investments. Please refer to Item 6, below, for a more detailed description of performance/incentive fees, and related conflicts of interest.

(B) **Payment of Fees:** Management Fees are generally paid quarterly, in advance, as provided in the agreement with the client, based on the value of the account(s) as of the close of the previous quarter. The Management Fee will be prorated for a deposit into a separate account during a calendar quarter.

Management Fees: Clients shall pay Firm Management Fees equal to a certain percentage of an investment account’s fair market value, starting at 0.5%, excluding any portion of the investment account assets that is invested in cash and/or bonds. All Management Fees are negotiable. Firm will quote an exact percentage to each client based on both the nature and total dollar value of that account. Management Fees are generally paid quarterly, in advance, as provided in the agreement with the client, based on the value of the account(s) as of the close of the previous quarter. The Management Fee will be prorated for a deposit into a separate account during a calendar quarter. If for any reason a client should wish to terminate an investment advisory contract,

the client must give, on average, 30 days prior written notice, and advanced fees will be refunded on a prorated basis.

- (C) **Additional Fees and Expenses:** Certain personnel of Firm act as trustee or co-trustee for certain trusts. The associated trustee fees are recognized as income to Firm. Firm may charge an additional fee to a trust account for which personnel of Firm acts as a trustee. However, the trustee fee will be used as a credit against Firm's advisory fee.

In the case of the New York and Maryland trusts, the trustee fees charged are the statutory fees set by the state. In the case of the Connecticut based trusts, the trustee fees charged are those negotiated and believed to be reasonable and commensurate with the functions performed. Additionally, New York and Connecticut fees schedules include a fee of 1% of principal distributions, which is taken when the trust is dissolved.

***New York Statutory Trust Fees**

<u>Fee</u>	<u>Asset Size</u>	<u>Principal</u>	<u>Income</u>
1.05%	1st \$400,000	2/3 rds	1/3 rd
0.45%	Next \$600,000	2/3 rds	1/3 rd
0.30%	> \$1,000,000	2/3 rds	1/3 rd

***Connecticut Trust Fees**

<u>Asset Fee / \$1,000</u>	<u>Asset Size</u>	<u>Income Commission %</u>	<u>Income Band</u>
\$7.50	1st \$200,000	7.0%	1st \$20,000
4.00	Next \$800,000	6.0%	Next \$20,000
2.75	Next \$1,000,000	3.5%	Next \$160,000
2.00	> \$2,000,000	2.0%	> \$200,000

***Maryland Trust Fees**

<u>Fee</u>	<u>Asset Size</u>	<u>Income Commission %</u>	<u>Income Band</u>
0.40%	1st \$250,000	6.5%	1st \$10,000
0.25%	Next \$250,000	5.0%	Next \$10,000
0.15%	Next \$500,000	4.0%	Next \$10,000
0.10%	> \$1,000,000	3.0%	> \$30,000

At the discretion of Firm, Management Fees shall be paid directly to Firm from the client account. If Firm does not elect to receive

direct payments from the client's account, such Management Fees shall be due and payable in full within fifteen (15) days of billing.

Any separately managed account clients will also bear any agreed upon expenses as set forth in the relevant investment management agreement.

In addition, clients will incur brokerage and other transaction costs. Clients should review carefully Item 12, which discusses conflicts of interest related to brokerage practices. Brokerage commissions and/or transaction ticket fees charged by the custodian will be billed directly to the client. Firm will not receive any portion of such commissions or fees from the custodian or client. In addition, clients may incur certain charges imposed by third parties other than Firm in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12(b)-1 fees, and surrender charges, and IRA and qualified retirement plan fees. Management Fees charged by Firm are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each mutual fund's security's prospectus.

(D) **Fees Paid in Advance:** Management Fees are generally paid quarterly, in advance, as provided in the agreement with the client, based on the value of the account(s) as of the close of the previous quarter.

(E) **Additional Compensation of Supervised Persons:** No supervised persons in Firm accept compensation for the sale of securities and/or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

(1) Although this is not applicable to Firm, in the event that a supervised person were to accept additional compensation, as described above, such practice would present a conflict of interest and give Firm or its supervised persons an incentive to recommend investment products based on the compensation received, rather than on a particular client's needs. In such a scenario, lower fees for comparable services may be available from other sources. In addition, clients may be able to invest directly in the mutual funds in which Firm invests clients' accounts and thereby avoid the additional fees charged to client by Firm.

- (2) Although this is not applicable to Firm, in the event that a supervised person were to accept additional compensation, as described above, all clients should note that they would have the option to purchase investment products that Firm recommends through other brokers or agents that are not affiliated with Firm and/or not used by Firm.
- (3) Firm is not registered as a broker-dealer and is not compensated with commissions.
- (4) Firm is not registered as a broker-dealer and is not compensated with commissions.

Item 6. Performance Based Fees and Side-By Side Management: Firm does not charge performance based fees.

Item 7. Types of Clients:

Firm provides advisory services to separately manage accounts, including, individuals, trusts, estates and/or charitable organizations.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss:

- (A) **Methods of Analysis and Investment Strategies:** As stated above, the investment process starts with establishing and then monitoring each client's appropriate asset allocation. Each client's risk tolerance and financial objectives will be considered in tailoring an asset allocation that is suitable for the individual. This allocation will primarily include equities, fixed income and cash equivalents, but may from time to time include other areas such as gold, commodities, real estate, foreign currencies and high yield debt instruments.

Primary emphasis will be on large capitalization, publicly traded, domestic and international common stocks.

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

- (B) **Risks Associated with Firm's Investment Strategies:** Firm will endeavor to achieve consistent absolute returns through capital appreciation and investment income while attempting to preserve capital and mitigate risk. No assurances can be given that this objective can be achieved and investment results may vary substantially over time and from period to period.

Market Volatility: The profitability of the investments chosen by Firm substantially depend upon Firm correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. Firm cannot guarantee that it will be successful in accurately predicting price and interest rate movements.

Risks Associated with Investing in Options and Derivatives:

Firm may invest, from time to time, in options and derivative instruments, including buying and writing puts and calls on some of the securities held by client accounts in an attempt to supplement income derived from those securities. The prices of many derivative instruments, including many options and swaps, are highly volatile. The value of options and swap agreements depend primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Price movements of options contracts and payments pursuant to swap agreements are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument or asset on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument or asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

If a put or call option purchased on behalf of a client account by Firm were permitted to expire without being sold or exercised, the client account would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold to the Firm on behalf of the client account at a

higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold by the Firm on behalf of the client account at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument or asset above the exercise price of the option. This risk is enhanced if the instrument or asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The instrument or asset necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing instruments or assets to satisfy the exercise of the call option can itself cause the price of the instruments or assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the client account of all or a substantial portion of its assets.

Short Selling: When deemed appropriate by Firm, it will sell securities short on behalf of client accounts. Short selling involves the sale of a security that the client account does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the client account must borrow securities from a third party lender. The client account subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. The client account must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains his right to receive interest and dividends accruing to the securities.

Risks Associated with Leverage: Generally, Firm does not use leverage. However, in the event that Firm determines that leverage is appropriate in its investment program, Firm may use borrowed

funds and/or investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent Firm purchases securities for a client account with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of an account. If the interest expense on borrowings were to exceed the net return on the investments made with borrowed funds, Firm's use of leverage would result in a lower rate of return than if an account was not leveraged.

If the amount of borrowings outstanding for a client account at any one time is large in relation to such Account's capital, fluctuations in the market value of the account will have disproportionately large effects in relation to the account's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of a client account to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to a client account, the net asset value of the account will generally decline faster than would otherwise be the case.

Certain of Firm's trading and investment activities may be subject to U.S. Federal Reserve Board ("FRB") margin requirements, which are computed daily by a self-clearing broker-dealer. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a client. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the client is made. If the client does not deposit additional funds with the broker to meet the margin call within a reasonable time, the client's position may be closed out. In the event of a precipitous drop in the value of the assets managed by Firm, Firm might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to Firm's trading activities on behalf of a client account, the account, and not Firm, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Clients should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

Risks Associated with Non-Diversification: Firm intends to hold diversified positions, however, Firm is not subject to any formal policies regarding diversification. Firm may sometimes concentrate holdings in industries, geographic regions or companies which, in light of investment considerations, market risks and other factors, Firm believes will provide the best opportunity for attractive risk-adjusted returns. The concentration of assets in a small number of issuers, in any one industry or a small number of industries, or in a single industry would subject clients to a greater degree of risk with respect to the failure of one or a few investments or with respect to economic variations in relation to such industry or industries.

- (C) **Security-Specific Risks:** Please see the response to Item 8(B), above.

Item 9. Disciplinary Information:

Neither Firm nor any supervised person has been involved in any legal or disciplinary event that is material to a client's or prospective client's evaluation of Firm's advisory business or management.

For Massachusetts Clients Only: Disciplinary history of Firm can be obtained from the Massachusetts Securities Division by calling 800.942.6180.

- (A) A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which Firm or a management person:
1. Was convicted of, or pled guilty or nolo contendere ("no contest") to: (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses. **Not Applicable.**
 2. Is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements

or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses. **Not Applicable.**

3. Was found to have been involved in a violation of an investment-related statute or regulation. **Not Applicable.**
4. Was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order. **Not Applicable.**

(B) An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which Firm or a management person:

1. Was found to have caused an investment-related business to lose its authorization to do business. **Not Applicable.**
2. Was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority:
 - (a) Denying, suspending, or revoking the authorization of Firm or a management person to act in an investment-related business. **Not Applicable.**
 - (b) Barring or suspending Firm's or a management person's association with an investment-related business. **Not Applicable.**
 - (c) Otherwise significantly limiting Firm's or a management person's investment-related activities. **Not Applicable.**
 - (d) Imposing a civil money penalty of more than \$2,500 on Firm or a management person. **Not Applicable.**

(C) A self-regulatory organization (SRO) proceeding in which Firm or a management person:

1. Was found to have caused an investment-related business to lose its authorization to do business. **Not Applicable.**

2. Was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500. **Not Applicable.**

Item 10. Other Financial Industry Activities and Affiliations:

- (A) Neither Firm nor its management persons has existing or pending affiliations with a broker-dealer or registered representative of a broker-dealer.
- (B) Neither Firm nor its management persons has existing or pending financial industry affiliations, such as with a broker-dealer, Futures Commission Merchant (FCM), Commodity Pool Operator (CPO), Commodity Trading Advisor (CTA) or other investment adviser.
- (C) Firm and/or its management persons have a relationship or arrangement that is material to its advisory business or to its clients with the related persons as discussed below.
 1. Broker-dealer, municipal securities dealer, or government securities dealer or broker. **Not Applicable**
 2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund). **Not Applicable except as discussed at Item 4.(A).**
 3. Other investment adviser or financial planner. **Not Applicable.**
 4. Futures commission merchant, commodity pool operator, or commodity trading advisor. **Not Applicable.**
 5. Banking or thrift institution. **Not Applicable.**
 6. Accountant or accounting firm. **Not Applicable.**
 7. Lawyer or law firm. **Not Applicable.**
 8. Insurance company or agency. **Not Applicable.**
 9. Pension consultant. **Not Applicable.**
 10. Real estate broker or dealer. **Not Applicable.**
 11. Sponsor or syndicator of limited partnerships. **Not Applicable.**
- (D) Does Firm recommend or select other investment advisers for your clients and receive compensation from those advisers that creates a conflict of interest? Does Firm have other business relationships

with such advisers that create a conflict of interest? If so, describe all conflicts of interest and how Firm will address them. **Not Applicable.**

Item 11. Code of Ethics, Participation or Interest in Client Transactions, Privacy Policy and Personal Trading:

A copy of the code of ethics (the “Code of Ethics”) is available upon request to clients or prospective clients.

- (A) **Code of Ethics:** The Code of Ethics is based upon the premise that all Firm personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service. The Code of Ethics requires all personnel to (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put client interests ahead of those of Firm; (3) observe Firm’s personal trading policies so as to avoid “front-running” and other conflicts of interests between Firm and its clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by the managing member and that personnel who violate the Code of Ethics are subject to sanctions by Firm, up to and including termination in the discretion of the managing member.

Other Policies and Procedures of Firm:

1. **Activities of Firm and its Affiliates:** Neither Firm, nor any affiliate or employee, is required to manage client accounts as its sole and exclusive function. Each of them may engage in other business activities, including competing ventures and/or other unrelated employment. In addition to managing client accounts, Firm, and its respective affiliates or employees may provide investment advice to other parties and may manage other accounts in the future.
2. **Trade Error Policy:** Firm has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, Firm will use reasonable efforts to correct the error. If the error cannot be corrected, Firm does not intend to make any adjustment, regardless of whether the error works to the benefit or detriment of the Fund. Firm will endeavor to maintain a record of each trade error, including information about the trade and how such error was corrected or attempted to be corrected.

3. **Privacy Policy**: Firm has adopted a privacy policy that explains the manner in which Firm collects, utilizes and maintains nonpublic personal information about clients, as required under federal legislation.

Collection of Information and Disclosure of Nonpublic Personal Information: To provide clients with superior service, Firm may collect several types of nonpublic personal information about clients, including:

- Information from forms that clients may fill out, such as subscription forms, questionnaires and other information provided by clients in writing, in person, by telephone, electronically or by any other means. This information includes name, address, nationality, tax identification number, and financial and investment qualifications;
- Information clients may give orally;
- Information about transactions within Firm, including account balances, investments and withdrawals;
- Information about the amount clients have invested, such as initial investment and any additions to and withdrawals from an investment in the Fund; and
- Information about any bank accounts clients may use for transfers to or from managed accounts.

Firm does not sell or rent client information. Firm uses this information to conduct business with its clients; to develop or enhance its products and services; to understand the financial needs of its clients so that Firm can provide such clients with quality products and superior service; and to protect and administer its clients' records, accounts and funds. Firm does not disclose nonpublic personal information about its clients to nonaffiliated third parties or to affiliated entities, except as permitted or required by law. For example, Firm may share nonpublic personal information in the following situations:

- To service providers in connection with the administration and servicing of Firm; this may include attorneys, accountants, auditors and other professionals. Firm may also share information in connection with the servicing or processing of Fund transactions;

- To affiliated companies in order to provide clients with ongoing personal advice and assistance with respect to the products and services clients have purchased through Firm and to introduce clients to other products and services that may be of value to such clients;
- To respond to a subpoena or court order, judicial process or regulatory authorities;
- To protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and
- Upon consent of a client to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the client.

Protection of Information:

Firm's policy is to require that all employees, financial professionals and companies providing services on its behalf keep client information confidential.

Firm maintains safeguards that comply with federal standards to protect client information. Firm restricts access to the personal and account information of clients to those employees who need to know that information in the course of their job responsibilities. Third parties with whom Firm shares client information must agree to follow appropriate standards of security and confidentiality. Firm's privacy policy applies to both current and former clients. Firm may disclose nonpublic personal information about a former client to the same extent as for a current client.

- (B)** Personnel of Firm may trade in the same securities traded for advisory clients. However, it is the policy of Firm not to give preference to orders for personnel associated with the firm regarding such trading. Firm and its employees (collectively for the purposes of this paragraph, "Firm") may personally invest in the same securities that are purchased for clients and may own securities that are subsequently purchased for clients. If a security is purchased or sold for clients and Firm on the same day, either the clients and Firm will pay or receive the same price, or the clients will receive the more favorable price. Firm may also buy or sell a specific security for their own account based on personal

investment considerations, which Firm does not deem appropriate to buy or sell for clients.

Participation or Interest in Client Transactions: Personnel of Firm may trade in the same securities traded for the clients. However, it is the policy of Firm not to give preference to orders for personnel associated with the firm regarding such trading. Firm and its employees (collectively “Firm”) may personally invest in the same securities that are purchased for the clients and may own securities that are subsequently purchased for the clients. It is the policy of Firm not to trade for itself or its employees in the same securities it trades for clients on the same day. Firm may also buy or sell a specific security for their own account based on personal investment considerations, which Firm does not deem appropriate to buy or sell for the clients.

Associated persons of Firm may recommend to clients the purchase or sale of investment products in which it or a related person may have some financial interest, including but not limited to, the receipt of compensation. Records will be maintained of all securities bought and sold by associated persons and related persons.

Additionally, the Code of Ethics sets forth Firm’s policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that Firm and each of its Employees has to each of its clients. The Code of Ethics is circulated at least annually to all Employees, and each Employee, at least annually must certify in writing that he or she has received and followed the Code of Ethics and any amendments thereto.

- (C) Firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that Firm or a related person recommends to clients.

See our response to Item 11(B), above.

- (D) Firm or a *related person* recommends securities to *clients*, or buys or sells securities for *client* accounts, at or about the same time that Firm or a *related person* buys or sells the same securities for its own (or the *related person's* own) account.

See our response to Item 11(B), above.

Item 12. Brokerage Practices:

The factors that Firm considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation are described herein.

- (A) **Factors Considered in Selecting or Recommending Broker-Dealers:** Clients shall bear brokerage costs as set forth in the relevant investment management agreement. The following discussion summarizes the material aspects of Firm's practices in selecting broker-dealers to execute client transactions:

Although it is not required to consider any specific criteria, Firm generally seeks "best execution" of securities transactions in light of the circumstances existing at the time individual transactions are executed. In evaluating a broker-dealer's ability to provide best execution, Firm considers a range of factors, including historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions; the execution, clearance and settlement and error correction capabilities of the broker-dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker-dealer's willingness to commit capital; the broker-dealer's reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; the nature, quantity and quality of research provided by the broker-dealer; and the market for the security. The receipt of investment information from any broker-dealer executing transactions for Firm will not result in a reduction in Firm's customary and normal research activities. Any such information received from broker-dealers as a consequence of the placement of brokerage business for certain clients may be used by Firm for the benefit of all its clients. Firm is not obligated to obtain the lowest commission or best net price for an account on any particular transaction. Accordingly, clients may not be charged the lowest brokerage rates available on transactions executed by Firm. The rates charged by brokers or dealers are only one factor that Firm considers in selecting a broker-dealer and a lower rate may be available from a broker or dealer that provides similar services to the broker or dealer selected by Firm.

1. "Soft Dollar" Policy:

In addition to research services, Firm may be offered other non-monetary benefits by broker-dealers that it may engage to execute securities transactions on behalf of clients.

These benefits may take the form of special execution capabilities, clearance, settlement, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, online access to computerized data regarding clients' accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, efficiency of execution and error resolution, quotation equipment and services, the availability of stocks to borrow for short trades, custody, travel, record keeping and similar services. These other services may also include payment of all or a portion of the clients' or Firm's or its affiliates' administrative costs and expenses of operation, such as office rent; office equipment and supplies; utilities (e.g., electricity, gas, oil, water); taxes; storage; employee salaries, including, but not limited to, bonuses, contingent salaries, and any other form of compensation determined by Firm, and benefits (including medical, dental and worker's compensation insurance); temporary help; recruiting services; newswire and quotation equipment and services (e.g., Reuters, Bloomberg, Bridge, First Call); data processing charges; periodical subscription fees (e.g., The Financial Times, The Wall Street Journal, The New York Times, Investors Business Daily); computer equipment used for brokerage or research purposes (e.g., computers, computer hardware, software, hard drives, monitors, PDAs, LANs) and related technical support, repair and maintenance; television and cable services used for research purposes; telephone and facsimile charges, equipment and installation and maintenance costs (e.g., telephones, telephone lease, telephone and facsimile lines, cellular phones used for business purposes, telephone call recording equipment, headsets, cordless phones, speaker phones, telephone switchboards and monthly and long distance telephone charges); facsimile machines and facsimile rental and repair costs; account record-keeping and related clerical services; printing services; messenger services; postal and courier expenses; car service; expenses incurred in connection with investigating and researching issuers of securities and attending research conferences (e.g., airfare, car rentals, taxi fares, conference fees and related expenses, hotel accommodations and meals); economic consulting services; placement fees and other

marketing costs; legal and accounting fees; and other reasonable expenses as determined by Firm.

The Firm has not received soft dollar benefits of any kind since formation, including during the last fiscal year.

The foregoing benefits may be available for use by Firm in connection with transactions in which clients will not participate. The availability of these benefits may influence Firm to select one broker rather than another to perform services for clients. Nevertheless, Firm will attempt to assure either that the fees and costs for services provided to clients by brokers offering these benefits are not materially greater than they would be if the services were performed by equally capable brokers not offering such services or that clients also will benefit from the services.

Firm has the option to use “soft dollars” generated by clients to pay for the research and non-research related services described above. The term “soft dollars” refers to the receipt by an investment adviser of products and services provided by brokers, without any cash payment by the investment adviser, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment adviser's clients. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), provides a “safe harbor” to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment adviser in the performance of investment decision-making responsibilities. In the event Firm elects to use its soft dollars for payment of all or a portion of Firm’s or its affiliates' administrative costs and expenses of operation such as office rent, office equipment and supplies, utilities, employee benefits and salaries, newswire and quotation equipment, data processing charges, periodical subscription fees, computer equipment, telephone and facsimile charges and equipment costs,

record-keeping services, consulting fees, issuer due diligence expenses, placement fees and other marketing costs, and legal and accounting fees, as more fully described above, such uses of soft dollars are not within the safe harbor afforded by Section 28(e) of the Exchange Act.

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of Firm or its affiliates creates a conflict of interest between Firm and clients because the clients pay for such products and services that are not exclusively for the benefit of clients and that may be primarily or exclusively for the benefit of Firm. To the extent that Firm is able to acquire these products and services without expending its own resources (including management fees paid by clients), Firm's use of soft-dollars would tend to increase Firm's profitability. In addition, the availability of these non-monetary benefits may influence Firm to select one broker rather than another to perform services for clients. Firm has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on a client's interest in receiving the most favorable execution. Moreover, Firm may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits. In the event that Firm uses soft dollar benefits, Firm will use such benefits to service all client accounts rather than only those accounts that paid for the benefits.

The offering documents for Funds specifically authorize these practices to the fullest extent permitted by law.

Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce clients to Firm, provided that any such fee or commission will be paid solely by Firm or its affiliates and no portion thereof will be paid by clients.

- a.** When Firm uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Firm receives a benefit because Firm does not have to produce or pay for the research, products or services. *Please refer to Item 12.(A)(1).*

- b. Firm may have an incentive to select or recommend a broker-dealer based on Firm's interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution. *Please refer to Item 12.(A)(1).*
- c. Firm may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). *Please refer to Item 12.(A)(1).*
- d. Firm may use soft dollar benefits to service all clients or only those clients that paid for the benefits. Firm may or may not seek to allocate soft dollar benefits to clients proportionately to the soft dollar credits the accounts generate. *Please refer to Item 12.(A)(1).*
- e. The types of products and services Firm or any related persons acquired with client brokerage commissions (or markups or markdowns) within Firm's last fiscal year were: *Please refer to Item 12.(A)(1).*
- f. The procedures Firm used during its last fiscal year to direct transactions to a particular broker-dealer in return for soft dollar benefits Firm received were: *Please refer to Item 12.(A)(1).*

2. **Brokerage for Client Referrals:**

- (a) Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce clients to Firm, provided that any such fee or commission will be paid solely by Firm or its affiliates and no portion thereof will be paid by clients.

As a result, Firm may have an incentive to select or recommend a broker based on Firm's interest in receiving client referrals rather than on clients' interest in receiving most favorable execution. Because such referrals, if any, are likely to benefit Firm but will provide an insignificant (if any) benefit to clients, Firm will have a conflict of

interest with clients when allocating client brokerage business to a broker who has referred investors to a client. To prevent client brokerage commissions from being used to pay referral fees, Firm will not allocate client brokerage business to a referring broker unless Firm determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to clients. **Currently, Firm does not engage in this practice.**

- (b) The procedures used during the last fiscal year to direct client transactions to a particular broker-dealer in return to client referrals were: **Not Applicable.**

3. Directed Brokerage:

- (a) Firm does not recommend, request, or require a client to direct Firm to execute transactions through a specified broker-dealer.
- (b) Firm does not permit a client to direct Firm to execute transactions through a specified broker-dealer.

- (B) **Aggregation of Orders:** Transactions implemented by Firm for accounts may be effected independently or on an aggregated basis. Firm anticipates that frequently it will decide to purchase or sell the same securities for several clients at approximately the same time. Firm will aggregate orders when it believes aggregation may prove advantageous to clients. When Firm aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and execution cost and will be allocated among Firm's clients in proportion to the purchase and sale orders placed for each client account on any given day. When Firm aggregates client orders for the purchase or sale of securities, including securities in which its associated person(s) may invest, Firm will do so in a fair and

equitable manner. It should be noted that Firm does not receive any additional compensation or remuneration as a result of aggregation.

Allocation of Trades: Firm may at times determine that certain securities will be suitable for acquisition by clients and by other accounts managed by Firm, possibly including Firm's own accounts or accounts of an affiliate. If that occurs, and Firm is not able to acquire the desired aggregate amount of such securities on terms and conditions which Firm deems advisable, the Firm will endeavor in good faith to allocate the limited amount of such securities acquired among the various accounts for which Firm considers them to be suitable. Firm may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including but not limited to allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

Item 13. Review of Accounts:

- (A) All accounts managed by Firm are reviewed on a monthly basis by the Managing Member of Firm, to assure conformity with client objectives and guidelines. In addition, all accounts are reviewed in light of emerging trends and developments as well as market volatility. Clients are responsible for keeping Firm informed as to any changes in their personal financial condition. Firm cannot make any material changes to a client's portfolio if it is not informed of the client's particular developments.
- (B) The calendar is the main triggering factor of a review of an account, although more frequent reviews may be also be triggered by changes in a client's circumstances, client request, or unusual market activity. Clients may be contacted periodically by Firm to discuss the management and performance of their account.
- (C) Reports showing performance are sent to clients monthly by Firm and by the qualified custodian. In addition, realized gains/losses, interest and dividends earned are reported to clients annually.

Item 14. Client Referrals and Other Compensation:

- (A) Firm does not receive, from any non-client, any economic benefit associated with advising clients.

- (B) Firm does not currently, but may in the future use independent third party solicitors to refer clients and/or investors to the Fund and pay a portion of its advisory fees to such solicitors, in accordance with the Advisers Act. Firm may engage underwriters, brokers, dealers or finders to assist in the offering of interests in the Fund. Except for commissions on brokerage transactions (which will be paid by clients), Firm will pay (and will not charge clients) fees and commissions that may be payable to any such brokers or finders for assisting in the offering or sale of interests in the Fund.

Item 15. Custody:

Firm maintains client funds and securities at a qualified custodian. As stated above in Item 13, Review of Accounts, Firm's qualified custodian will send monthly account statements directly to clients which clients should carefully review. Clients are urged to compare statements that are received from the qualified custodian to statements received directly from Firm.

Item 16. Investment Discretion:

Firm has discretionary and/or non-discretionary investment authority over client assets that are managed by Firm. Please refer to the investment guidelines described in Items 4(C) and Item 8(A).

Item 17. Voting Client Securities – Proxy Policy:

- (A) Firm normally does not vote proxies for its clients. However, in the case of any clients who are trust accounts, Firm does vote most proxies. Clients for whom Firm votes proxies can request to have a record of how Firm voted proxies on their behalf and request a copy of Firm's proxy voting procedures.
- (B) Firm's general policy is to not vote proxies on behalf of separately managed account clients, unless specifically negotiated and set forth in the individual client agreement. In the absence of such an agreement whereby Firm does vote proxies, it is the responsibility of each such client to vote all proxies for securities held in the separate account. Separate account clients will receive proxies directly via their preferred delivery method, which is established at the time that the client opens the account with Firm.

Item 18. Financial Information:

- (A) Firm solicits prepayment of Management Fees on a quarterly basis from the Fund. Firm does not solicit prepayment of more than

\$1200 in fees per client six months or more in advance, and thus has not provided a balance sheet according to the specifications of 17 CFR Parts 275 and 279.

- (B) Because Firm has discretionary authority over and/or custody of client fund or securities, Firm has disclosed, as follows, any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients: **None.**
- (C) Firm has not been the subject of a bankruptcy petition during the past ten years.

Item 19. Requirements for State-Registered Advisers: Not Applicable.