

# Part 2A of Form ADV: Firm Brochure

Date: July 6, 2012

## **Bridgehampton Capital Management LLC**

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This brochure provides information about the qualifications and business practices of Bridgehampton Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at (631) 537 – 0056. 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. Bridgehampton Capital Management LLC has done its best to summarize information in this brochure which is described in detail in documents including but not limited to Private Placement Memoranda and their supplements for each private fund, and the Prospectus and Statement of Additional Information for the mutual fund, that describe in detail risks associated with each strategy, fee calculations, liquidity, valuation, and expenses, among other things. Bridgehampton Capital Management LLC encourages all investors to become educated in such matters before investing. Because a summary by definition may not include all relevant details, Bridgehampton Capital Management LLC strongly encourages all investors to read all other disclosures in addition to this brochure before making an investment.

Additional information about Bridgehampton Capital Management LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Although Bridgehampton Capital Management LLC may refer to itself as a “registered investment advisor,” this does not imply any formal level of skill or training.

Material changes since last annual filing of brochure on March 28<sup>th</sup>, 2012:

We have updated the brochure to reflect the closing of one private fund and the launch of a registered mutual fund.

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#### **ITEM 4: ADVISORY BUSINESS**

##### *Introduction*

Founded in 2005 by Kenneth Lee, Bridgehampton Capital Management LLC (“BCM” or the “Firm”) provides investment supervisory services managing hedged and unhedged strategies for unregistered commingled investment funds (“commingled investment funds”), a registered mutual fund, and private accounts. As of May 31, 2012, BCM had a total of \$61.0 million in assets under management.

Mr. Lee, BCM Managing Member and Chief Investment Officer, along with Charles Morgan, Member, own the majority of the Firm. Mr. Lee owns 69.8% of the Firm, and Mr. Morgan owns 19.8% of the Firm.

Kenneth E. Lee is the majority owner and Managing Member of Bridgehampton Capital Management LLC. He is an investor in Bridgehampton Value Strategies Fund, Bridgehampton Monument Fund LLC and Bridgehampton Long Equity Fund LLC. In addition he oversees the trading and investment of all assets for which BCM serves as manager or investment manager as the Chief Investment Officer. Before his current activities, until March 2005, Mr. Lee most recently was a Managing Director of Saranac Capital Management, where he managed convertible arbitrage, capital structure arbitrage and cash alternative portfolios that he helped to grow from \$100 million to \$2 billion. Mr. Lee joined Salomon Brothers Asset Management in 1998 and remained with Citigroup until Saranac Capital began to manage assets for Citigroup and others as a separate entity. He also worked briefly for Salomon Brothers Inc. in Hong Kong as a summer associate in 1997. Prior to business school and Salomon Brothers, Mr. Lee worked for Brown Brothers Harriman in equity research focusing on technology and financial services firms. Mr. Lee has a B.A. in History from Wesleyan University and an M.B.A. in Finance and Management from the Stern School of Business, New York University. He has 16 years of experience in the securities industry.

Charles D. Morgan is the largest minority owner of Bridgehampton Capital Management LLC as well as the largest investor in each of Bridgehampton Value Strategies Fund, Bridgehampton Monument Fund LLC and Bridgehampton Long Equity Fund LLC. In addition, Mr. Morgan is Co-Manager of investments with Mr. Lee. Mr. Morgan served as the CEO of Acxiom Corporation from 1975 to January 2008; during this time, he helped to grow the information services company from an early stage company to a public company with \$1.4 billion in revenues. In addition to his managerial insight, Mr. Morgan brings to BCM a rare investing perspective; during his tenure as CEO of Acxiom Corporation, he performed due diligence on and acquired dozens of private and public companies. He was employed by IBM as a systems engineer for six years prior to joining Acxiom. In addition, Mr. Morgan has served as both chairman and board member of the Direct Marketing Association (DMA), and is currently a member of the board of trustees of Hendrix College. Mr. Morgan holds a mechanical engineering degree from the University of Arkansas.

### *Investment Supervisory Services*

When a client engages the services of BCM, they are accessing the particular experience of the Firm's principals and staff, investment process and philosophy as well as operational and portfolio risk-management approaches of the Firm:

- BCM employs seasoned managers combining 10+ years of direct portfolio management experience at leading alternative-investment management firms with 30+ years of building and managing a successful public company.
- BCM's team consists of value-oriented investors employing a "capital-structure analysis" approach toward evaluating companies and their securities. The Firm's approach reveals investment opportunities across the capital structure and acts as the first foundation layer of risk management.
- BCM has an in-house research process that centers on bottom-up fundamentals-based research, complemented by the Firm's proprietary software-based "Capital Structure Rating Engine," covering an expansive opportunity set.
- BCM invests in a manner that is long bias or long only, using low leverage. This reduces risk and allows flexibility to express in different ways the ideas generated by its research process.

BCM offers its investment supervisory services to eligible investors in three formats: through investments in commingled private funds sponsored and managed by BCM, through private discretionary management of accounts owned directly by clients, and through a mutual fund to which BCM serves as advisor.

### *Fund Management*

BCM currently serves as the Manager (with full discretionary authority) for two private commingled investment funds, Bridgehampton Monument Fund LLC and Bridgehampton Long Equity Fund LLC. BCM also serves as the advisor (with full discretionary trading authority) to one registered open-end mutual fund, the Bridgehampton Value Strategies Fund ("the Mutual Fund"), which is a series of the Investment Managers Series Trust. Each private fund is structured as a limited liability company. The three funds share a common research platform and a similar investment process. BCM offers investments in the private funds to qualified investors in the form of limited liability company interests. Investors can purchase shares of the Mutual Fund directly or through a broker-dealer; its ticker symbol is BVSEFX. Note that should an investor purchase an interest in one of BCM's commingled investment funds or shares of the Mutual Fund, the investor will have no discretionary authority over that fund's investments. As of May 31, 2012, the assets under management in the Bridgehampton Monument Fund and the

Bridgehampton Long Equity Fund totaled \$15.4 million. The Mutual Fund had not yet been launched at that date (it was launched on June 29, 2012), but its predecessor account, the Bridgehampton Multi-Strategy Fund, had \$21.3 million in assets. In addition, BCM manages two privately managed accounts.

#### *Private Account Management*

BCM currently provides discretionary management services to two private accounts. As of May 31, 2012, the assets under management in these accounts totaled \$24.3 million.

Should a prospective client express an interest in a discretionary private account, BCM will work to establish investment goals, guidelines and a fee structure appropriate to that client's specific needs. Clients may establish specific security and asset class guidelines and restrictions, as well as reporting requirements. When a client enters into an investment advisory agreement with BCM, authorizing the Firm to use discretionary authority, the client 1) will grant BCM the authority to execute security transactions in the managed account without further approval from the client (subject, of course, to any restrictions established within the investment advisory agreement) and 2) may grant BCM the ability to directly debit advisory fees from the client's custodial account.

Private account management services are highly individualized; while the fee structure for such an account may cover a range of services, BCM does not provide wrap fee programs.

#### *Common Research Platform*

Each commingled investment fund and private managed account shares a common research platform. BCM specializes in fundamental analysis, with an emphasis on capital structure analysis. This is because BCM's investment philosophy is grounded in the belief that structural factors often drive decisions and outcomes within companies and in markets, and these factors often highlight and/or produce inefficiencies along with associated windows of investment opportunity. Investing in these opportunities for attractive risk-adjusted returns requires processes that center on value-oriented fundamental research rooted in analysis of a firm's capital structure. This yields investment opportunities both within and across asset classes. In addition, this analysis embodies the starting point of BCM's risk-management philosophy: that good credit profiles (i.e., good balance sheets) generally limit the downside to an investment in a stock or corporate bond. Each inefficiency and associated investment opportunity is likely terminal in nature. Therefore, sustained investment success depends on timely analysis of the universe of potential opportunities.

Please see "Item 8: Methods of Analysis, Investment Strategies and Risk of Loss" for a more detailed description of BCM's investment process.

#### **ITEM 5: FEES AND COMPENSATION**

### *Fees for Private Commingled Investment Funds*

In general, members in BCM's two private commingled investment funds pay a set management fee as well as a performance-based incentive fee. The fee schedules for these funds are summarized as follows (please see the Private Placement Memorandum for each fund for a full description):

#### *Bridgehampton Long Equity Fund LLC*

Management Fee: 1.5% per annum

Incentive Allocation: 20% of net profit over hurdle in any year

Hurdle Rate: S&P 500 Calendar Year Total Return

#### *Bridgehampton Monument Fund LLC*

Management Fee: 1.5% per annum

Incentive Allocation: 22% of net profit with high water mark protection

Management fees are deducted from the value of each investor's capital interests in each fund on a monthly basis in arrears. Fund expenses such as brokerage, transaction, audit, administrative, legal and other expenses are paid out of fund capital and are reflected in each investor's capital interests by their effect on each investor's share of the fund's monthly net return. Investors will incur brokerage and transaction fees; for more details, please see Item 12, "Brokerage Practices." Management fees are paid in arrears, and as a result, BCM does not offer refunds. Performance-based incentive compensation to BCM is estimated on a monthly basis and finally allocated to BCM at the end of the fiscal year for each fund.

BCM retains the ability to negotiate fees at all times and in all circumstances for its private funds, including the ability to waive minimums, waive or reduce management fees, waive or reduce incentive allocations and/or open new or previously closed share classes in all private commingled vehicles and managed accounts. Nevertheless, current policy is that fee rates are non-negotiable in private funds except in cases where the investor is willing to make a substantial accommodation in exchange for a reduced fee (such as an extended lock-up period). On balance early investors in BCM's private funds are bearing lower overall fees/allocations than more recent investors. Currently, other than original investors in each private fund, most investors pay full fees.

### *Fees for Registered Mutual Funds*

#### *Bridgehampton Value Strategies Fund*

Management Fee: 1.5% per annum

Net Expense Cap: 1.99%

Gross Expense Ratio: 2.17%

Redemption Fee: 2% (Imposed on redemptions of shares within 30 days of purchase.)

BCM has contractually agreed to waive certain fees and/or absorb expenses until December 31, 2013. BCM may seek reimbursement from the Mutual Fund for waived fees and/or expenses paid for three years from the date of the waiver or payment. The waiver may be terminated prior to this date.

The Net Asset Value takes into account all of the expenses and fees of the Mutual Fund, including management fees and administration fees, which are accrued daily. The annual management fee for the Mutual Fund is 1.50% of its average daily net assets, payable on a monthly basis in arrears. The Mutual Fund is responsible for its own operating expenses (all of which will be borne directly or indirectly by its shareholders), including among others, legal fees and expenses of its counsel and independent trustees; insurance (including trustees' and officers' errors and omissions insurance); auditing and accounting expenses; taxes and governmental fees; listing fees; fees and expenses of its custodians, administrators, transfer agents, registrars and other service providers; expenses for portfolio pricing services by a pricing agent, if any; expenses in connection with the issuance and offering of shares; brokerage commissions and other costs of acquiring or disposing of any portfolio holding and any litigation expenses. For more details on brokerage fees, please see Item 12, "Brokerage Practices."

Fees for the Bridgehampton Value Strategies Fund are not negotiable.

#### *Fees for Private Managed Accounts*

Fees for discretionary managed accounts will likely include both management fees and performance-based incentive fees (currently, of two discretionary managed accounts, one pays incentive fees and one does not). However, due to the varying investment objectives of prospective clients, such fees will be negotiated during initial consultations. Factors that may be considered include the amount of assets under management, the types of investments, and level of complexity of the proposed portfolio.

#### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Several BCM products (including private, discretionary managed accounts) have performance-based incentive allocations/fees in place, while other accounts, such as the Bridgehampton Value Strategy Fund, do not. Please see sections titled "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" and "Brokerage Practices" for explanations of how the Firm mitigates the potential conflict of interest in the side-by-side management of different accounts with different fee structures.

Each of BCM's client accounts will differ in their effective fee potential to the Firm resulting from the size of the client, the structure of the fees and/or allocation of return and, as applicable to private commingled funds, the availability of different classes of investors with different fee structures as well as the presence of investors with discounted fee arrangements. BCM has a conflict of interest in

allocating trades which appear to have the greatest profit potential among any of the client accounts. This conflict is mitigated by the fact that capital which is not charged an incentive allocation is commingled widely with other investors' capital in the private commingled funds, trade allocation procedures, and the Firm's Code of Ethics.

#### **ITEM 7: TYPES OF CLIENTS**

Presently, BCM provides investment advisory services to individual clients, investment funds, and investors in those client funds. Clients of private account services consist at present of high-net worth individuals, but in the future may also include institutional investors (such as pension plans and endowments). Clients of private account services and investors in unregistered commingled funds will all be accredited investors as defined by the rules under the Securities Act of 1933.

There are currently subscription minimums in place for each of BCM's private commingled investment funds (these minimums may be waived at the discretion of the Managing Member). They are as follows:

Bridgehampton Monument Fund LLC: \$250,000

Bridgehampton Long Equity Fund LLC: \$250,000

Currently, the minimum initial size for a private discretionary managed account is \$20 million.

Shareholders in the Bridgehampton Value Strategies Fund are not required to be accredited investors. There are, however, investment minimums for the Bridgehampton Value Strategies Fund. They are as follows:

Direct regular: \$25,000

IRA: \$2,000

Automatic Investment Plan: \$25,000

Gift Account for Minors: \$2,000

#### **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Investors and potential investors in BCM's private commingled funds should consult the offering memorandums for each fund for a full description of methods of analysis, investment strategies and risk of loss specific to each fund. Investors in the Bridgehampton Value Strategies Fund should consult the Prospectus and Statement of Additional Information for a full discussion of its investment strategies and specific risks. What follows is a general discussion of these topics with respect to BCM's management of client capital, whether in privately managed accounts or in commingled funds.

##### *Methods of Analysis*



BCM typically, but not exclusively, invests in corporate equity and debt securities. In order to uncover and evaluate investment opportunities, BCM engages in quantitative and qualitative fundamental analysis of issuing companies and the industries they operate in. Quantitative approaches include analysis of historical corporate financial data, market valuation data, comparable data for similar companies and/or securities as well as estimated prospective financial data generated by BCM. Qualitative approaches include an analysis of the prospects of the business of the issuer, an evaluation of the structural characteristics of the relevant securities and other indicators revealed in the issuer's financial statements or through discussion with the issuer's management. If an opportunity remains attractive after completion of these steps, BCM will develop one or more trade ideas that express the opportunity and fit within BCM's core investment strategies.

### *Investment Strategies*

BCM specializes in four core investment strategy groups:

- **Equity Long.** This strategy consists primarily of holding long positions in US common equity that are attractive based on fundamental value characteristics.
- **Convertible arbitrage.** These consist of 'market-neutral' investments that will generally involve the simultaneous purchase of convertible securities and the short sale of the same issuer's converting common stock.
- **Special situations.** This covers a group of trading strategies including event-driven strategies, capital -structure arbitrage, risk arbitrage, distressed, and spin-offs. Depending on the specifics of the situation, the trading strategy may involve hedging.
- **Fixed Income Long.** This strategy consists primarily of holding long positions in US corporate convertible bonds that are attractive based on fundamental value characteristics of the underlying issuer and/or characteristics of the fixed income security. BCM also invests in straight corporate bonds, primarily of U.S. issuers.

Each private commingled investment vehicle and mutual fund that BCM manages employs these strategies to varying degrees depending on each fund's objective. Clients with private managed accounts may specify the allocation of assets to each strategy.

In utilizing these strategies, particularly to support hedging associated with each strategy, BCM may invest client capital in securities such as options, exchange-traded funds and other derivatives. In addition, BCM may invest client capital in other funds not managed by BCM.

The following is a summary of risk applicable to all of BCM's current clients. For investors in BCM's private funds, the "RISK FACTORS" section in each applicable Private Placement Memorandum is hereby incorporated herein by reference. Bridgehampton Value Strategies Fund investors should read the Prospectus and Statement of Additional Information for a full description of risk factors applicable to that fund.

### **Risk of Loss**

All security investments bear market risk, regardless of how extensively they are researched by the BCM investment team. Because BCM does not completely hedge out market risk in any of its client accounts (i.e., investments in these accounts are considered “long bias” or “long only”), client capital may be more exposed to market risk than if invested in competing funds that pursue strategies involving greater degrees of hedging of their theoretical market risk.

#### Liquidity in positions and markets; Volatility

BCM may invest client capital in positions in less liquid or non-exchange traded securities, including equities and fixed income securities. These positions entail particular risks including increased transaction costs and potential difficulty exiting the position. In recent years markets have experienced great volatility.

#### Concentration of positions

In certain of the commingled funds, there is no required level of diversification. BCM may at times manage those funds in such a way that client capital may be concentrated in a relatively small number of positions. This concentration may lead to more volatility than might be the case in a portfolio with more diversification.

#### Withdrawals and transferability for private funds

Investments in the private commingled funds involve limited liquidity and are not freely transferable. Investors thus may not be able to practically liquidate their investment in the event of any emergency, or for any other reason.

#### Hedging

BCM may engage in hedging transactions. Hedges can be more difficult to implement than many other types of transactions and the possibilities for errors may be greater than for other transactions. Certain hedging positions in applicable funds may be adjusted frequently, as often as daily, which increases costs and may affect investment performance. While BCM intends to limit hedging (i.e., invest either with a “long bias” or substantially “long only”), the amount of hedging may expose the client to greater loss than if the capital were invested without hedging.

#### Leverage

BCM may leverage client capital through borrowing of funds or securities or through the use of options or other kinds of derivatives. The use of leverage will amplify the effect of profit or loss on client capital. While BCM intends to limit its use of leverage, the amount of leverage may expose the client to greater risk of loss due to changes in interest rates than if the capital were invested without leverage.

#### Purchases of securities with premiums

BCM may invest client capital in securities that sometimes, depending on market conditions and the prices of related securities, involve a “premium” above their intrinsic value. Examples include convertible bonds and options. Positions in these securities may entail the loss of the premium for a

number of reasons such as decreases in credit ratings, movements in prices of related securities or other events.

#### Frequent Trading

Certain hedging positions in applicable funds may be adjusted frequently, as often as daily. Frequent trading can affect investment performance through increased brokerage and other transaction costs and taxes.

#### Quantitative Strategies

BCM uses techniques that rely in part on quantitative analysis. There are times when, due to liquidity and regulatory constraints, among other factors, historically successful quantitative strategies have underperformed.

#### Options Trading

BCM may engage in options trading as a part of its trading programs. Options trading increases the possibilities of gain and the risk of loss per dollar of capital employed. The use of option transactions may increase the adverse impact to which its portfolio may be subject if BCM's evaluation of the various factors involved in particular securities transactions is incorrect.

#### Derivatives

Derivative instruments include options, swaps, forwards and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices, and may also be used as a means of leverage or hedging. There is no assurance, however, that the derivatives sought to be acquired will be available. Moreover, the use of derivatives is highly dependent upon the price of the underlying asset and the risks associated therewith. Derivatives may also expose the account (directly or indirectly) to, among other things, liquidity risk, credit risk and valuation risk.

### **ITEM 9: DISCIPLINARY INFORMATION**

There have been no legal or disciplinary events involving any of BCM's principals or management persons.

### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

BCM is a registered Investment Advisor with the SEC. As described under the section "Fund Management," BCM currently serves as the Manager for two client commingled private investment funds: Bridgehampton Monument Fund LLC and Bridgehampton Long Equity Fund LLC. Neither is

registered as an investment company with the SEC. The Bridgehampton Value Strategies Fund, however, is registered as an investment company with the SEC. BCM's principals, Kenneth Lee and Charles Morgan, serve as the Managing Member and Co-Manager of Investments, respectively, and Kenneth Lee serves as the portfolio manager for the Bridgehampton Value Strategies Fund ("the Mutual Fund"). The management of multiple pooled investment vehicles may result in conflicts of interest when BCM and its related persons allocate time and investment opportunities among different funds and other clients. In particular, the Mutual Fund has a significantly different structure than the private funds, as it is a registered investment company that is a series of a trust (the Investment Managers Series Trust, "IMST"). BCM is hired by the IMST as an advisor to the Mutual Fund, which has a separate board of trustees and has the ability to remove BCM as advisor. Shareholders in this fund face different risks (and enjoy different protections) than investors in BCM's private funds due to this arrangement, as well as the differing legal requirements and investment guidelines of registered investment companies. Private fund investors will be able to buy shares of the Mutual Fund, but shareholders of the Mutual Fund may not be eligible to purchase interests in the private funds. The policies designed to minimize and address possible conflicts of interest are set out in the next section, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading."

#### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

BCM has a Code of Ethics that will be made available to any interested client or prospective client upon request. The Code reflects BCM's position that it is not sufficient to simply comply with the letter of the law of the Advisers Act and other federal securities laws, but also to comply with the spirit of such laws. BCM therefore desires to develop policies and procedures in the Code that are premised on fundamental principles of openness, integrity, honesty and trust. In this regard, BCM has decided that certain provisions of the Code which are required by the Advisers Act to be applicable only to "access persons," shall be applicable to all employees. All BCM employees are required to read, understand, and comply with the Code. Among other things, the Code of Ethics governs all personal investment transactions by BCM's employees, BCM's policies with respect to gifts and entertainment, compliance with applicable federal securities laws, the manner in which violations of the Code of Ethics are to be reported, prohibitions on short-term trading in mutual funds, and certain other outside activities of BCM's employees.

BCM manages accounts for the benefit of outside investors and its principals, including one managed account that is managed solely for the benefit of one of its principals. BCM allocates opportunities to its accounts in accordance with established written investment allocation guidelines set out in the Firm's Compliance Manual. Subject to applicable law, BCM, may effect transactions, generally for rebalancing purposes and to correct misallocations of trades, among client accounts, including accounts in which BCM and to its related persons may have a significant interest. In order to mitigate such conflicts, BCM effects such transactions only when it believes that such transactions are in the best interests of all of

the applicable clients. Such transactions shall be effected for cash consideration, generally at the closing price of the particular security, and no brokerage commission or transfer fee shall be paid to BCM or its related persons in connection with any such transaction.

BCM's principals (and/or other related persons) may have a greater portion of their personal assets invested in certain of the funds than in the others. As a result, BCM may have a conflict of interest in allocating investment opportunities among the funds. BCM will generally follow documented procedures in allocating trades among these funds.

In the event that BCM effects a cross trade between an account in which BCM or its controlling persons own more than twenty five percent (25%) and another client account, such transaction may be deemed to be a principal transaction under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Such transactions may create a conflict of interest for BCM because BCM's control persons might be incentivized to put their interests in such accounts before the interests of the clients in the other account(s). In order to mitigate this conflict of interest, BCM monitors the interests of its principals, their immediate family members and their affiliates in the client accounts, and BCM will not effect any cross trade between accounts if BCM believes that such trade would result in a principal transaction unless:

- 1) BCM believes that such transaction is in the best interest of the clients participating in the transaction; and
- 2) BCM obtains the consent of the applicable clients (or their representative) as required by the Advisers Act.

The Mutual Fund is not permitted to enter into a transaction with any account belonging to a client who is an affiliate of BCM.

BCM may buy or sell securities for one client at the same time that it buys or sells the same security for one or more other clients. This will typically happen when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. This may create a conflict of interest if one account may benefit from making the trade before or after the other account. BCM will generally aggregate trades, subject to best execution to avoid any such conflict of interest to the extent possible.

Principals and employees of BCM are generally not permitted to trade (for their own accounts or for their immediate family or any entity in which the employee has a beneficial interest) in any public stocks or bonds of U.S. domiciled companies or companies that do business in the U.S. (other than municipal or government bonds, mutual funds, or exchange traded funds) without the prior written consent of the Chief Compliance Officer.

BCM acts as advisor to the Bridgehampton Value Strategies Fund, a registered mutual fund, and may recommend this fund to clients with privately managed accounts and investors in private funds. As BCM

receives asset-based management fees for this account (the Bridgehampton Value Strategies Fund), it has an incentive to recommend this product to other clients. However, all other BCM clients and private fund investors will be accredited investors, and will be made aware of the relationship between BCM and the Mutual Fund.

## **ITEM 12: BROKERAGE PRACTICES**

### *Research and Other Soft Dollar Arrangements*

In selecting brokers, BCM considers, among other things, speed and efficiency of execution, commission rates, instrument coverage, the financial strength, integrity and stability of the broker and the quality and frequency of valuable research services. On a semi-annual basis, BCM evaluates the execution performance and competitiveness of rates of the brokers engaged during the period. In evaluating rates, BCM takes into account the value of research and other services received.

BCM may enter into soft dollar arrangements, but currently does not have any soft dollar arrangements that it believes fall outside the “safe harbor” provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. BCM does receive services, including but not limited to proprietary (and third party) research and trading services (including prime brokerage and other trading services) as a result of paying brokerage commissions. Soft dollar arrangements pose a conflict of interest in that such arrangements benefit BCM by allowing it to pay with client commissions expenses that may otherwise be borne by the Firm. As a result, BCM may have an incentive to select brokers based on its interest in receiving research and brokerage, rather than clients’ interest in receiving most favorable execution. Furthermore, clients may pay commissions to such brokers in an amount greater than the amount another broker might charge.

Research products received through soft-dollar arrangements may be used to service all accounts. Research received in the past has taken the form of traditional research reports, discussions with research analysts, meetings with corporate executives to obtain oral reports on the performance of a company, and conferences. Other products and services received in the last year include market data, portfolio analytics, and trading expertise.

### *Brokerage for Client Referrals*

BCM does not consider client referrals in selecting broker-dealers.

### *Client Directed Brokerage*

BCM does not require or permit clients to direct transactions through specific broker-dealers.

### *Order Aggregation*

In managing client accounts' portfolios, BCM will generally aggregate trades, subject to best execution. Of course, when a trade to be executed for one client account is not in the best interests of other client accounts, the trade will be executed only for the appropriate account. BCM will not aggregate trades if its portfolio managers determine that aggregation is not appropriate because of market conditions and BCM must effect the transactions at different prices due to government regulation and/or policy. In those cases where BCM does not aggregate orders even though it has the opportunity to do so, clients may pay more in transaction costs and receive less favorable prices.

### **ITEM 13: REVIEW OF ACCOUNTS**

Portfolios are regularly reviewed, and their performance analyzed, by the investment professionals of BCM, including but not limited to Kenneth Lee and Charles Morgan. BCM also consults with its Advisory Board with respect to monitoring and evaluating investment vehicles. Investments are evaluated based on general market conditions and such other considerations as BCM deems appropriate.

BCM furnishes the investors in the private commingled investment funds that it manages with unaudited performance reports and written commentary on a quarterly basis. On an annual basis, these investors receive a copy of the relevant fund's annual audited financial statements and a statement of taxable income (Schedule K-1). Investors with separately managed discretionary accounts are also provided with quarterly statements.

Investors who purchase Mutual Fund shares directly through UMB Fund Services, Inc. ("UMBFS") as transfer agent for the Mutual Fund, will receive quarterly account statements from UMBFS, along with trade confirmations if they purchase or sell fund shares, and copies of the Annual and Semi-Annual report. Mutual Fund investors who hold shares through a platform (for example, Schwab or TD Ameritrade) will receive all shareholder information from that platform.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

BCM does not have any arrangements pursuant to which it compensates third parties for referrals.

### **ITEM 15: CUSTODY**

BCM sends investors in its private commingled investment funds written commentary, performance reports and investor statements on a quarterly basis. These investors will also have access to monthly performance reports (through an online portal) that are prepared by BCM in conjunction with the fund administrator. However, investors in BCM's private commingled funds will not receive any statements

directly from the custodian of the funds, J.P. Morgan Clearing Corporation. Clients with privately managed accounts will also receive performance reports from BCM on a regular basis, and may elect to receive holdings reports. BCM will work with such clients to establish a reporting schedule that meets their needs. However, clients with privately managed accounts will be able to access the custodian's holdings statements through an online portal in addition to reporting provided by BCM. Such clients are encouraged to closely review these statements on a regular basis, and should compare them with statements received from BCM.

The custodian of the Bridgehampton Value Strategies Fund is UMB Bank, N.A. Mutual Fund investors who hold direct accounts with the Fund, through UMB Fund Services, Inc. ("UMBFS") as transfer agent, will receive quarterly account statements from UMBFS, along with trade confirmations if they purchase or sell fund shares, and copies of the Annual and Semi-Annual report. Mutual Fund investors who hold shares through a platform (for example, Schwab or TD Ameritrade) will receive all shareholder information from that platform.

#### **ITEM 16: INVESTMENT DISCRETION**

BCM will have discretionary authority to manage securities on behalf of all clients, including both privately managed accounts and commingled investment Funds. Clients with privately managed accounts can place restrictions on the types of securities that can be traded. In order to open a privately managed discretionary account, the client must execute and return an investment advisory agreement authorizing the use of discretionary authority by BCM, and the Managing Member must approve the account opening.

#### **ITEM 17: VOTING CLIENT SECURITIES**

BCM has the authority to vote securities on behalf of its private commingled investment funds as well as the Bridgehampton Value Strategies Fund. It will also accept authority to vote the securities of privately managed discretionary accounts. BCM has designated a Proxy Coordinator who will determine how to vote proxy statements in the best interests of clients. If the Proxy Coordinator determines that there is a material conflict of interest between BCM and any clients, he will, in the case of BCM's managed commingled investment funds, rely on the recommendation of an independent third party who is experienced in advising investment managers regarding proxy voting decisions, and in the case of clients that are separately managed accounts, disclose the conflict to the affected clients and give such clients the opportunity to vote their securities themselves.

Clients may obtain a copy of BCM's proxy voting policies upon request and may obtain information regarding how BCM voted securities applicable to a particular client's account by contacting the Chief



Compliance Officer or the Proxy Coordinator. A record of proxies voted on behalf of the Bridgehampton Value Strategies Fund will also be available on the SEC website at [www.sec.gov](http://www.sec.gov).

**ITEM 18: FINANCIAL INFORMATION**

BCM does not require or solicit prepayment of client fees. BCM is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.