



LLENROC
CAPITAL

LLC

Item 1 - COVER PAGE

FORM ADV PART 2A* SEC-Required Brochure

July 2013

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*This brochure provides information about the qualifications and business practices of Llenroc Capital, LLC. If you have any questions about the contents of this brochure, please contact us at telephone 415.785.3670. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state authority.

This Brochure provides information upon which a prospective client may determine whether or not to hire our Firm. You are encouraged to review this Brochure and Supplements regarding the Firm's associates for information on the qualifications of the Firm and its employees.

The use of the term "registered investment adviser" and description of Llenroc Capital, LLC and/or our associates as "registered" does not imply a certain level of skill or training. Additional information about Llenroc Capital, LLC is available on the SEC's website at www.advisorinfo.sec.gov.

Item 2 - MATERIAL CHANGES FROM PRIOR FORM ADV 2A

This updated Form ADV Part 2A contains the following changes from the prior version:

- Deletion of reference to CAA Partners LP, a private pooled investment fund previously managed by Llenroc Capital, LLC, which was terminated in June, 2013.
- Deletion of reference to the CAERUS Long-short investment strategy which the Firm no longer utilizes as of June, 2013.

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Item 4 - ADVISORY BUSINESS

Registration Status -	Registered with the SEC on May 27, 2009 ¹
Principal Owners -	David S. Post Michael Tannenbaum Roland D. Underhill Bonnie G. George

ADVISORY SERVICES

Llenroc Capital LLC is a Colorado limited liability company, located in California that provides investment management services to its clients.

Separately Managed Accounts

Llenroc Capital's separately managed account investment management services include, among others, financial goal setting, risk assessment, strategic asset allocation and the selection and management of securities and investments. Llenroc Capital offers two separately managed account strategies: All-Cap Equity, and HERMES Long. Securities transactions are supervised on a continuous basis and each client's portfolio holdings and asset allocations are monitored on a periodic basis.

The investment management services we provide are based on each individual client's financial circumstances and investment objectives. Our portfolio managers periodically meet with each client to discuss the client's current financial condition and to review the client's current investment holdings. Based upon each client's circumstances, we determine the appropriate share of their total assets to invest with Llenroc and/or an appropriate asset allocation for the client's investment portfolio, in accordance with the client's specific financial objectives and risk tolerance and in consideration of other factors, including the client's time horizon (education funding, home purchase, retirement, legacy planning), liquidity needs, and other available resources (including external retirement plans, projected social security, outside investments, real estate, and insurance). Clients may identify any investment restrictions to be placed on their account. Each client's financial objectives, risk tolerance, and liquidity needs, along with a recommended asset allocation, are determined with the client.

A client may make additions to and withdrawals from the client's portfolio account at any time, subject to the Firm's right to terminate an account if the amount of assets drops below our account size minimum. However, we design client portfolios as long-term investments and caution our clients that asset withdrawals may impair the achievement of the client's investment objectives.

¹"Registration" means only that the Firm meets the minimum requirements for registration as an investment advisor and does not imply that the SEC guarantees the quality of our services or recommends them.

Additions to an account may be in cash or securities provided that we may decline to accept particular securities into a client's account or may liquidate the security if it is inconsistent with the Firm's investment strategy or the client's investment objectives. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

Llenroc Capital generally requires clients to place a minimum of \$1 million under management with the Firm. Multiple client accounts may be aggregated to meet this minimum. Under certain circumstances, and in its sole discretion, the Firm may waive or alter the minimum account size requirement.

General Notice

In performing its services, Llenroc Capital relies upon the information received from its client or from their professional legal and accounting advisors, and is not required to independently verify such information. Clients must promptly notify us of any change in their financial situation or investment objectives that would necessitate a review or revision by our advisors of the client's portfolio and/or financial plan.

ASSETS UNDER MANAGEMENT AS OF JUNE 30, 2013

Discretionary Assets -	\$190,729,159
Non-discretionary Assets -	None

TERMINATION OF AGREEMENT

Llenroc Capital and its individually managed clients may terminate their respective investment management agreement at any time, upon 30 day's written notice. Any earned fees owed to Llenroc Capital will be paid from the client's account on a pro rata basis determined on the amount of time expired in the calendar quarter. Any unearned investment management fees owed to the client will be refunded on a pro rata basis determined on the amount of time expired in the calendar quarter.

If a copy of this Form ADV Part 2A disclosure statement was not delivered to the client prior to or simultaneous with a client entering into a written advisory contract with Advisor, then the client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. For purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract. If the client terminates the contract on this basis, all fees paid by the client will be refunded. Any transaction costs imposed by the executing broker or custodian for establishing the custodial account or for trades occurring during those five days are non-refundable.

Item 5 - FEES AND COMPENSATION

ADVISORY FEES

Investment Management Fees for Separately Managed Accounts

For its separately managed investment management clients, Llenroc Capital charges a fee based on a percentage of the market value of the investments held in each client's account. All assets in the account are included in the fee assessment unless specifically identified in writing for exclusion. The management fee is billed quarterly, in arrears and prorated for accounts established or terminated at times other than the start of the quarter. The management fee is based on the value of the assets as of the last day of the prior quarter. Values are derived from recognized and independent pricing sources as provided by the custodian of the client's account. Llenroc Capital uses an outside portfolio accounting system to calculate client fees. The management fee on each client account is assessed in accordance with one of the following blended fee schedules:

For the All Cap Equity Investment Strategy	
Value of Account Assets	Annual Fee Rate
On the first \$5,000,000	1.00% plus
On the next \$5,000,000	0.75% plus
On the next \$5,000,000	0.625% plus
On market value over \$15,000,000	0.50%
On market value of Fixed Income Accounts	0.50%
Minimum Account Size	\$1,000,000
Minimum Annual Investment Management Fee	\$10,000

For the HERMES Long Investment Strategy	
Value of Account Assets	Annual Fee Rate
On the first \$5,000,000	1.00% plus
On the next \$5,000,000	0.75% plus
On the next \$5,000,000	0.625% plus
On market value over \$15,000,000	0.50%
On market value of Fixed Income Accounts	0.50%
Minimum Account Size	\$1,000,000
Minimum Annual Investment Management Fee	\$10,000

The management fee assessed to new clients is determined in accordance with the above fee structures, with exceptions negotiated on a case-by-case basis at Llenroc's discretion. Clients that retained the Firm prior to the adoption of the above fee schedules may pay a different fee. Any deviations from the fee structure are based upon a number of factors including the amount of work involved, the amount of assets placed under management and the attention needed to manage the account. Services provided for the above fees are

for investment advice or consultation and quarterly reporting of asset holdings, valuations and performance reviews. Under certain circumstances, based upon the size and nature of the client's account and the complexity of the services requested, Llenroc Capital at its discretion may agree to assess a different management fee.

Clients customarily authorize Llenroc Capital to deduct its quarterly investment advisory fee directly from their custodial account. This authorization is granted under the terms of the client's signed investment management agreement and the client's instructions to the custodian. It is the client's responsibility to verify the accuracy of the fee calculation, as the custodian will not determine whether the fee is properly calculated. Any discrepancy in fees should be communicated immediately to Advisor within 10-days of the billing date.

To the extent that a client authorizes the use of margin, and margin is thereafter employed by our portfolio managers in the management of the client's portfolio, the market value of the client's account and corresponding fee payable by the client to Llenroc Capital may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin may correspondingly increase the management fee payable to the Firm. Accordingly, the decision as to whether to employ margin is left to the sole discretion of client.

GENERAL FEE DISCLOSURES

We believe our investment management fees are competitive with the fees charged by other investment advisors for comparable services. However, comparable services may be available from other sources for lower fees than those charged by Llenroc Capital. Llenroc Capital receives no commissions on investment products purchased or sold for client accounts. We do not provide clients advice as to the tax deductibility of our advisory fees. Clients are directed to consult a tax professional to determine the potential tax deductibility of the payment of advisory fees.

CUSTODIAN AND BROKERAGE FEES

Clients incur certain charges imposed by their custodians and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients may incur charges by the executing broker-dealer in the form of brokerage commissions and transaction fees on the investment transactions entered into for their account(s). All of these charges, fees and commissions are in addition to Advisor's investment management fee.

FUND DISCLOSURES

Mutual funds, closed-end funds, exchange traded funds and alternative investment funds are investment vehicles and the investment strategies, objectives and types of securities held by such funds vary widely. In addition to the advisory fee charged by Llenroc Capital,

clients indirectly pay for the expenses and advisory fees charged by the funds in which their assets are invested.

All such funds incur operating expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from fund to fund. In addition, funds charge shareholders (individual investors in the funds) other types of fees such as early redemption or transaction fees. These charges also vary widely among funds. As a result, clients will still pay management fees and other, “indirect” fees and expenses as charged by each mutual fund (or other fund) in which they are invested.

Clients are provided a copy of a fund prospectus for each fund in which they invest by their custodian or by the fund sponsor rather than by Llenroc Capital. As required by law, a prospectus represents the fund’s complete disclosure of its management and fee structure. In addition, a fund’s prospectus can be obtained directly from the fund.

BOND DISCLOSURE

Clients whose assets are invested in bonds purchased directly from an underwriter may pay a sales credit or sales concession to the underwriter on the trade (in lieu of a sales commission) ranging from 0% - 2% of the par value of the bond.

Item 6 - PERFORMANCE-BASED FEES and SIDE-BY-SIDE MANAGEMENT

Llenroc does not charge performance related fees. No part of the investment management fee is calculated as a percentage of the capital gain or capital appreciation of assets.

Item 7 - TYPES OF CLIENTS

Llenroc clients include high net worth individuals, trusts and estates, corporations and other business entities. As a condition for maintaining a separately managed account relationship, Llenroc Capital generally imposes a minimum account size of \$1 million. Related accounts for a single client may be aggregated to meet this minimum. For its investment management services, the Firm charges a minimum annual management fee of \$10,000 on separately managed accounts, minimum fees may be higher for certain strategies (see Advisory Fees section above). Under certain circumstances, and at its discretion, Llenroc Capital may negotiate an alternative minimum account value or minimum annual management fee based upon the nature of the account and such factors, among others as:

- Historical relationship with the client,
- Number of related accounts,
- Account composition,
- Anticipated future earning capacity and

- Anticipated future additional assets.

As a result of the minimum account and fee requirements, Llenroc Capital's services may not be appropriate for everyone. Particularly for smaller accounts, other investment advisors may provide somewhat similar services for lower compensation, although still others may charge more for similar services.

Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS

METHODS OF ANALYSIS

Depending upon the type of investment, Llenroc Capital utilizes a combination of fundamental, technical and cyclical analysis. Fundamental analysis involves analyzing real data, including overall economic and company-specific information available to determine the value of a particular investment. Technical analysis involves analyzing statistics provided by market activity such as past prices and volume to identify patterns that can be used to predict future activity. Cyclical analysis refers to stocks that are sensitive to business cycles and tied strongly to the overall economy (i.e. automobiles and housing). In performing these analyses, the Firm consults third-party research materials, company annual reports and other regulatory filings, financial newspapers and periodicals and conducts conversations with consultants, industry experts, company managements, customers and competitors.

INVESTMENT STRATEGY

For all client accounts over which Llenroc Capital has been granted discretionary authority, it is authorized to enter into any type of investment transaction that it deems appropriate for the account, given the financial circumstances, investment objectives, risk tolerance and investment restrictions, if any, set by the individual client. Llenroc Capital follows an All-Cap investment philosophy, investing in large, mid-sized and small cap companies. We invest in equities, municipal or corporate debt, government securities and options. We may also utilize other securities such as closed end funds, exchange-traded funds (ETFs) and certificates of deposit. Based upon their individual financial condition, investment goals and investment experience, Llenroc Capital clients participate in one or more individual investment strategies for their accounts. The offered investment strategies are as follows:

All Cap Equity Strategy - Llenroc Capital invests in a limited number (15-20) of carefully selected and closely followed companies. We use pricing discipline in order to not overpay for quality companies, thus we are a Growth at a Reasonable Price (GARP) manager. The Firm's buy and hold philosophy leads to relatively low turnover and focuses on picking the right stocks and not timing the market. All-Cap Equity client accounts are customized for each client to reflect their individual circumstances such as tax considerations, desire not to hold certain stocks or desire to hold more or less cash.

HERMES Long Strategy - Llenroc Capital invests in a limited number (15-20) of carefully selected and closely followed companies. We use pricing discipline in order to not overpay for quality companies. The Firm's buy and hold philosophy leads to relatively low turnover and focuses on picking the right stocks and not timing the market. All HERMES client accounts are managed to the same model portfolio which reflects the best thinking of the strategy's portfolio managers.

Initial Public Offerings ("IPOs")

While not a material part of its investment style, Llenroc Capital does from time to time invest in initial public offerings ("IPO") on behalf of client accounts for which such investments are suitable. Some client accounts do not participate in IPOs at all or do not participate in certain volatile IPOs, either due to client instructions, risk tolerance, financial condition or investment objectives. When client accounts are determined to be eligible to participate in a purchase of an IPO, and there is an insufficient amount of shares of the IPO for all accounts eligible to participate in the trade, Llenroc Capital uses a random generator to select participating accounts so that all eligible accounts are selected from fairly.

INVESTMENT RISKS

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Risk refers to the uncertainty that the actual return the investor realizes could differ from the expected return. Risks may be systematic, referring to factors that affect the returns on all comparable investments and that affect the market as a whole. Systematic risks include market risk, interest rate risk, reinvestment rate risk, purchasing power risk and exchange rate risk. Unsystematic risks depend on factors that are unique to the specific investment security. These risks include business risk and financial risk.

Here are some of the general risks associated with parts of our investment strategy:

Short-term Purchases - On occasion, generally only for tax management purposes, we may determine to buy or sell securities in a client's account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security's value.

Bond Pricing - The price of bonds depends in part on current interest rates. Rising interest rates decrease the current price of bonds because current purchasers require a competitive yield. As such, decreasing interest rates increase the current value of bonds with associated decrease in bond yield. We may decide to exchange to a lower or higher duration bond or to another asset class due to interest rate risk that could affect investment performance.

Inflation - Inflation is the loss of purchasing power through a general rise in prices. If an investment portfolio is designed for current income with a real rate of return of 4% and

inflation were to rise to 5% or higher, the account would result in a loss of purchasing power and create a negative real rate of return.

Price Fluctuation - Security prices do fluctuate (except for cash or cash equivalents) and clients must accept that risk associated with the fluctuations or change to a more appropriate investment portfolio in alignment with their risk tolerance.

Reinvestment of Dividends - An investor can choose to reinvest interest, dividends and capital gains to accumulate wealth. This is an appropriate strategy for a portfolio designed for capital growth. However, the reinvested earnings could result in a lower or a higher rate than was initially earned.

Mutual Funds with Foreign Asset Holdings - Any investments in mutual funds that make foreign investments are subject to the uncertainty with changes in the foreign currency value. The client will bear more risk and may earn a substantially higher return or a substantially lower return.

Margin Trading - Llenroc Capital does not generally advocate leverage as a part of its investment strategy. Llenroc will rarely, elect to assume a margin balance in their investment accounts. Custodians require a percentage of assets under management to be pledged as collateral for the margin amount. Clients risk that in a falling market, the pledged collateral will be insufficient to cover a margin call.

Option Trading - Llenroc Capital may engage in option trading. Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss.

IPOs - Are generally investments in companies with limited operational histories and non-existent or weak earnings and are highly subject to market sentiment. Shares purchased through an IPO can often trade down immediately from their offer price or can be subject to wild fluctuations in performance at certain time periods after their entry to the public markets and, as such, carry increased risks of investment loss.

Private Equities - Llenroc Capital may purchase shares in non-publicly traded equities in the accounts of accredited clients. These companies will generally have little available information on their financial status, capital structure or revenues, resulting in increased risk of loss, including total loss. In addition, these securities may be highly illiquid or may experience losses of liquidity - resulting in an inability to sell said equities or sales prices that are substantially below the purchase or market price. Unless otherwise agreed, we will value these positions at their purchase price for any accounting purposes, which may not reflect losses that would be realized if the position was sold. Of particular risk is that we will base the account values for billing purposes on these positions' purchase price (unless another methodology is agreed upon with the client), leading to a potential motivation to overvalue said equities. Finally, we may have clients who are executives of such firms or have other financial relationships that may create conflicts of interest. Where such conflicts exist, we will disclose these conflicts in written format to the clients who

hold such securities or whom we intend to purchase such securities under our discretion prior to any transactions.

Item 9 - DISCIPLINARY INFORMATION

Llenroc Capital has no disciplinary history and consequently, is not subject to any disciplinary disclosures.

Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Llenroc Capital is an independent investment advisor, unaffiliated with any other financial institution or securities dealer or issuer. Although we recommend that our clients custody their investment accounts with a number of brokerage firms we have no affiliation with them, do not supervise their brokerage activities and are not subject to their supervision. Llenroc clients may also custody their accounts with broker dealers that are not recommended by Llenroc.

Although we may refer our clients to other professionals such as attorneys or accountants for estate planning, tax or other matters, neither the Firm nor its principals or employees are affiliated with any law or accountancy firm.

Item 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Llenroc Capital, its members, officers and employees and their immediate families (sometimes collectively “employees”) are permitted to buy and sell securities for their personal investment accounts. The Firm has adopted employee personal trading policies and procedures and a code of ethics to govern proprietary (on behalf of the Firm itself) and employee trading practices. Employees are required to report all personal securities transactions on a regular basis. Employees are required to sign a certification agreeing to abide by the Firm’s personal trading practices and code of ethics.

Employees may trade in the same securities traded for clients, however it is the expressed policy of the Firm that no employee shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients. Employees may personally invest in the same securities that are purchased for client trading accounts and may own securities that are subsequently purchased for client accounts. From time to time, trading by employees in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. A security may not be purchased or sold for client accounts and employees on the same day. If purchased or sold on different days, it is possible that employees’ personal transactions might be executed at more favorable prices that were obtained for clients.

Employees may buy or sell different investments, based on personal investment considerations, which the Firm may not deem appropriate to buy or sell for clients.

Employees may also buy or sell a specific security for their personal account based on personal investment considerations, which are not deemed appropriate to buy or sell for clients. This can occur when securities that are not suitable for clients at the time of purchase (e.g., speculative stocks, micro-cap stocks, penny stocks), are purchased by the employees. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, employees may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal considerations (i.e., liquidity needs, tax-planning, and industry/sector weightings) deem a stock sale necessary for individual financial planning reasons.

A copy of Llenroc Capital's employee trading policies and code of ethics is made available to clients and prospective clients upon request.

Item 12 - BROKERAGE PRACTICES

RECOMMENDATION OF CUSTODIAN AND EXECUTING BROKER

Llenroc Capital recommends that its clients custody their accounts at a small list of independent broker-dealers registered with the Financial Industry Regulatory Authority ("FINRA") and otherwise unaffiliated with Llenroc Capital. These broker-dealers offer custody and trading platforms for brokerage execution services. These trading platforms are essential to Llenroc Capital's service capabilities, and Llenroc Capital may not accept clients who direct the use of other brokers. Our evaluation of these brokerage programs considers a number of factors, some of which are transaction fees, custodial fees charged for holding securities, commission rates, interest charges on debit balances and interest credits on credit balances, quality of execution and record keeping and reporting capabilities. Brokerage services provided include monthly account statements to clients.

Llenroc Capital may enter into arrangements with these brokerage programs through which it may from time to time provide certain services through its transaction processing and record keeping "platforms". Such platform services include, among others, brokerage, custodial, administrative support, record keeping and other services that may benefit all of Llenroc Capital's clients.

The Firm will attempt to minimize the total cost for all brokerage services paid by its clients. However, it may be the case that one or more of these brokerage programs charge higher fees for a particular type of service than can be obtained from another broker or that the total costs of all services provided by one or more of these programs may be higher than can be obtained at another broker. Nevertheless, Llenroc Capital has made a good faith determination that such costs are reasonable in relation to the value of brokerage services provided by one or more of these brokerage programs, viewed in terms of our overall responsibilities to our clients.

Certain of the recommended broker-dealers, provide the Firm with other products and services that benefit Llenroc Capital but may not directly benefit its clients. Some of these other products and services assist Llenroc Capital in managing and administering clients' accounts. These may include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Llenroc Capital's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Llenroc Capital accounts.

Custodians may provide the Firm with other services intended to help us manage and further develop our business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, custodian firms may make available, arrange and/or pay for these types of services by independent third parties. Custodians may discount or waive fees they otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to Llenroc Capital.

Llenroc Capital's recommendation that clients generally maintain their assets in accounts at a particular custodian may be based in part on the benefit to Llenroc Capital of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the custodian firm, which may create a potential conflict of interest.

DIRECTED BROKERAGE

In a limited number of cases, clients may direct Llenroc Capital to place orders for securities transactions with a specific broker-dealer (directed brokerage). In these cases, Llenroc Capital is not obligated to, and will generally not solicit competitive bids for each transaction or seek the lowest commission rates for the client. As such, the client may pay higher commission costs, higher security prices and transaction costs than it otherwise would have had it not directed Llenroc Capital to trade through a specific broker. In addition, the client may be unable to obtain the most favorable price on transactions executed by Llenroc Capital as a result of Llenroc Capital's inability to aggregate trades from this account with other client trades.

Furthermore, the client may not be able to participate in the allocation of a security of limited availability (such as an IPO) for various reasons, including if those new issue shares are provided by another broker or dealer. As a result of the special instruction, Llenroc Capital may not execute client securities transactions with brokers that have been directed by clients until non-directed brokerage orders are completed. Accordingly, clients directing brokerage may not generate returns equal to clients that do not direct brokerage.

Due to these circumstances, there may be a disparity in commission rates charged to a client who directs Llenroc Capital to use a particular broker and performance and other

differences from other similarly managed accounts. Clients who direct brokerage should understand that similar brokerage services may be obtained from other broker-dealers at lower costs and possibly with more favorable execution.

BEST EXECUTION

Llenroc Capital is not obligated to obtain the best net price or lowest brokerage commission on any particular transaction. Rather federal law requires investment managers to use their reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts.

In selecting broker-dealers, Llenroc Capital's primary objective is to obtain the best execution. Expected price, giving effect to brokerage commissions, if any, and other transaction costs, are principal factors, but the selection also takes account of other factors, including the execution, clearance and settlement capabilities of the broker-dealer, the broker-dealers willingness to commit capital, the broker-dealers reliability and financial stability, the size of the particular transaction and its complexity in terms of execution and settlement, the market for the security, the value of any research and other brokerage services provided by the broker-dealer.

Based upon an evaluation of some or all of these factors, Llenroc Capital may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. Llenroc Capital may select broker-dealers whose fees may be greater than those charged for similar investments if Llenroc Capital determines that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

Llenroc Capital reviews transaction results periodically to determine the quality of execution provided by the various broker-dealers through whom Llenroc Capital executes transactions on behalf of clients.

SOFT DOLLAR ARRANGEMENTS AND POTENTIAL CONFLICTS

Llenroc Capital may receive from an executing broker or allow a broker to pay for certain research or brokerage services, known as "soft dollar" brokerage services and research. "Soft dollars" refers to the use of brokerage commissions on client trades to pay for the soft dollar research or brokerage services received. Because many of these services benefit Llenroc Capital in conducting its advisory business, and because the soft dollars used to acquire them are assets of its clients (in the form of commissions), Llenroc Capital could be considered to have a conflict of interest in allocating client brokerage business, in light of a potential incentive to effect more transactions than it might otherwise in order to obtain those benefits.

Soft dollar research and services may include among others, economic and market information, portfolio strategy advice, proxy voting services, industry and company comments, technical data, recommendations, research conferences, general reports, periodical subscription fees, consultations, performance measurement data, on-line pricing, news wire charges, quotation services, computer hardware and software. Llenroc

Capital may receive soft dollar credits based on principal, as well as agency, transactions with brokerage firms or direct a brokerage firm that executes transactions to share some of its commissions with a brokerage firm that provides soft dollar benefits to Llenroc Capital.

Although it may accept soft dollar services and research, Llenroc does not currently use such services and it is the Firm's policy to limit its use of soft dollar arrangements to those falling within the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934, as amended. To be protected under Section 28(e), Llenroc Capital must, among other things, determine that commissions paid are reasonable in light of the value of the brokerage and "research" services and products acquired. Section 28(e)'s "safe harbor" protects the use of client soft dollars even when the research and brokerage services and products acquired are used in making and implementing investment decisions and transactions for other clients. Only *bona fide* research and brokerage products and services that provide assistance to Llenroc Capital in the performance of its investment decision-making responsibilities are permitted.

With respect to certain computer equipment and software used for both research and non-research purposes, Llenroc Capital may allocate the costs of such products between their research and non-research uses, and use soft dollars to pay only for the portion allocated to research uses.

Clients of the Firm may pay brokerage commissions in excess of that which another broker might charge for effecting the same transaction in recognition of the value of the brokerage, research, other services and soft dollar relationships that broker provides. In such a case, however, it determines in good faith that such commission is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, viewed in terms of either the specific transaction or Llenroc Capital's overall responsibilities to the portfolios over which it exercises investment authority. An account may, however, pay higher brokerage commissions than are otherwise available or may pay more brokerage commissions based on account trading activity. In addition, the research and other benefits resulting from a brokerage relationship benefit all accounts managed by Llenroc Capital or Llenroc Capital's operations as a whole, including clients who direct Llenroc Capital to use a broker that does not provide soft-dollar benefits. Llenroc Capital relationships with brokerage firms that provide soft dollar services may create conflicts of interest, both in allocating brokerage business between firms that provide soft dollar services and firms that do not, and in allocating the costs of mixed-use products between their research and non-research uses. These conflicts may be influential to the extent that the Firm uses soft dollars to pay expenses it otherwise would be required to pay itself.

Llenroc Capital may, on occasion, be the recipient of unsolicited discounts on software and other services. Discounts are generally offered to all firms who fit a common profile and Llenroc Capital is not offered such discounts because of a particular event or request. Such discounts are accepted to benefit all clients and their value is not considered in the process of selecting securities to purchase for client accounts.

Llenroc Capital routinely considers the amount and nature of the research products and services provided by brokers as well as the extent to which such products and services are relied upon, and will attempt to allocate a portion of its brokerage business on the basis of that consideration. In addition, broker-dealers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocations, but may be expected to exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above. In no instance will a broker-dealer be precluded from receiving business simply because it has not been identified as providing research products and services, although Llenroc Capital may not be willing to pay the same commission to such broker as Llenroc Capital would have paid had the broker provided research products and services.

AGGREGATION OF TRADES AND POTENTIAL CONFLICTS

Llenroc Capital may combine transaction orders on behalf of multiple clients and allocate the securities or proceeds on an average price basis among the various participants in the transactions. Llenroc Capital and/or its associated persons may participate in such aggregated orders.

While Llenroc Capital believes combining transaction orders in this way should, over time, be advantageous to all participants, in particular cases the average price could be less advantageous to a particular client than if such client had been the only client effecting the transaction or had completed its transaction before the other participants. There may be circumstances in which transactions on behalf of Llenroc Capital or its associated persons may not, under certain laws and regulations, be combined with those of some of Llenroc Capital's other clients. In such cases, neither Llenroc Capital nor any associated person will effect transactions in a security on the same day as clients.

When orders are aggregated, the price paid by each account is the average price of the order. Transaction costs are allocated to each client by the client's custodian according to the client's custodial agreement. It is our policy that trades are not allocated in any manner that favors one group of clients over another over time. Client transactions may be aggregated according to custodial relationship in consideration of "trade away" charges that may be imposed if trades are directed to a non-custodial broker-dealer for execution. Aggregated trades placed with different executing brokers may be priced differently.

ALLOCATION OF OPPORTUNITIES AND POTENTIAL CONFLICTS

Because we manage more than one client account, there may be a conflict of interest related to the allocation of investment opportunities among all accounts managed by the Firm. We attempt to resolve all such conflicts in a manner that is generally fair to all of our clients over time. We may give advice and take action with respect to any of our clients that may differ from advice given or the timing or nature of action taken with respect to any other client based upon individual client circumstances. It is our policy, to the greatest extent practicable, to allocate investment opportunities over a period of time

on a fair and equitable basis relative to all clients. The Firm is not obligated to acquire for any client account any security that the Firm or its owners, officers, employees or affiliated persons may acquire for their own accounts or for the account of any other client, if in the discretion of the portfolio managers, based upon the client's financial condition and investment objectives and guidelines, it is not practical or desirable to acquire a position in such security for that account.

Item 13 - REVIEW OF ACCOUNTS

HERMES Long Separately Managed Accounts are supervised continuously by David S. Post, Principal Managing Director and Portfolio Manager and Michael Tannenbaum, Managing Director and Portfolio Manager. The review process covers (1) assessing client investment goals, (2) evaluating the employed investment strategy, (3) monitoring client portfolios, (4) reviewing portfolio holdings' earnings releases and relevant observable and quantifiable signposts, (5) researching new ideas and (6) addressing the need to rebalance assets held in the portfolio. Additional reviews may be triggered by a change in investment tactics, an imbalance in the portfolio's asset allocation, tax law changes or current market/economic conditions.

All Cap Equity Separately Managed Accounts are supervised continuously by Roland D. Underhill, Managing Director and Portfolio Manager. Formal reviews are conducted quarterly with regard to the objectives of the account and the client's needs. The review process covers assessing client goals and objectives; evaluating the employed strategy, monitoring the portfolio and addressing the need to rebalance the portfolio. Additional account reviews may be triggered by a specific client request, a change in client goals and objectives, an imbalance in a portfolio's asset allocation, tax law changes or current market/economic conditions. Llenroc Capital consults with each client at least annually to review the client's account and update the client's financial condition and investment goals and guidelines as necessary.

It is the client's responsibility to notify Llenroc immediately of any material change in their personal and/or financial situation, which would require immediate review/revision of the client's investment goals or guidelines.

Reports to Clients

Llenroc Capital provides quarterly reports to separately managed account clients on a quarterly basis. Each quarterly report summarizes the specific investments currently held and the value of the client's portfolio. Clients also receive monthly statements from the qualified custodian of the account showing all securities holdings, contributions, withdrawals and other activities to their accounts.

Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Llenroc Capital does not pay referral fees to any third party firms or individuals for recommending the Firm to prospective clients. The Firm or its employees are not paid

referral fees by any third party for referring clients to their businesses. We do not direct brokerage transactions to any broker-dealer in exchange for receiving client referrals. Llenroc Capital employees are not paid “sales awards” or other prizes for referring clients to the Firm.

Item 15 - CUSTODY

Llenroc Capital does not maintain physical custody of client funds or securities. Clients are required to set up their investment accounts with a “qualified custodian,” namely a broker dealer, bank or trust company. Llenroc Capital is unable to take even temporary possession of client assets for the purpose of transferring them to the client’s account. Each client has a direct relationship with their custodian and is responsible for making deposits to and withdrawals from their account as necessary. The Firm is authorized to receive payment of its management fees directly from the account, but it is not authorized to make any other withdrawals or to transfer money out of the account to a third party.

Disclosures Related to Custodians

Custodial brokerage firms are independently owned and operated and not affiliated with Llenroc Capital and do not supervise or otherwise monitor our investment management services to our clients.

For Llenroc Capital client accounts maintained in their custody, custodial firms may charge separately for custody or are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through them or that settle into client accounts that are held with a particular custodian. In most cases, trade executions for client accounts custodied will be made by that custodian to avoid “trade away” charges otherwise imposed for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through the custodial broker, and in light of our best execution evaluation, certain executions may be made at a different broker-dealer.

Custodians send account statements directly to the client (or to an independent third party representative designated by the client), no less than monthly, showing all funds and securities held, their current value and all transactions executed in the client’s account, including the payment to Llenroc Capital of its investment management fees.

Item 16 - INVESTMENT DISCRETION

Clients appoint Llenroc Capital as their investment advisor and grant full trading and investment authority over their assets at the time they establish their investment accounts. Subject to the Firm’s investment strategy and the client’s investment objectives, our portfolio managers are given full discretion to determine:

- Types of investments;
- Which securities to buy;

- Which securities to sell;
- The timing of any buys or sells;
- The amount of securities to buy or sell.

This discretion may be limited by client investment guidelines and by any investment restrictions set by the client. Where possible, the Firm will attempt to negotiate the commission rates at which transactions for client accounts are effected, with the objective of attaining the most favorable price and market execution for each transaction.

Except in the case of directed brokerage instructions, client securities transactions generally are executed through the custodian of their account to avoid “trade away” fees for trades that are executed at other broker-dealers. In some cases, a particular security may be not be available through the client’s custodian or available only under execution parameters or at an overall cost that makes the use of an alternative executing broker more advantageous for that transaction. In such cases, the portfolio managers have the discretion to select the broker to execute the trade.

Item 17 - VOTING CLIENT SECURITIES

Llenroc Capital does not vote proxy solicitations received from the issuers of securities held in separately managed client accounts. Llenroc maintains proxy voting policies and procedures which guide the Firm’s proxy voting practices. Any client wishing to review our proxy voting policies in full may request a copy.

Item 18 - FINANCIAL INFORMATION

Llenroc Capital does not require or solicit prepayment of its management fees from clients six or more months in advance. There are no adverse conditions related to the Firm’s finances that are likely to impair its ability to meet its contractual commitments to its clients. The Firm has not been the subject of a bankruptcy filing in the last ten years.