

# CONCEPT ASSET MANAGEMENT

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This Brochure provides information about the qualifications and business practices of CONCEPT ASSET MANAGEMENT, a division of Concept Capital Markets, LLC. If you have any questions about the contents of this Brochure, please contact us at (516) 746-5757 or at [www.ConceptCapital.com](http://www.ConceptCapital.com), Attn: Rep Poppell, Chief Compliance Officer. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Concept Asset Management is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The purpose of this Brochure is to provide you with information that will help you decide whether to retain us as your investment adviser.

Additional information about Concept Asset Management also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This section of our Brochure contains a summary of any material changes we have made since our last annual Brochure, and we will provide you with a copy of that summary within 120 days of the end of our fiscal year each year. We will also provide you with copies of any new Brochure as necessary under the SEC rules.

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#### **Item 4 – Advisory Business**

Concept Asset Management (“CAM” or “we”) is a division of Concept Capital Markets, LLC (“CCM”), a Delaware limited liability company. CCM is directly owned by Concept Capital Holdings, LLC, a Delaware limited liability company, which in turn is primarily owned by Concept Partners, LLC, also a Delaware limited liability company. CCM is also registered as a broker-dealer with the SEC and the Financial Industry Regulatory Authority, Inc. (“FINRA”), and as an introducing broker with the Commodities Futures Trading Commission and the National Futures Association. CCM commenced its broker-dealer business operations in late 2010, and CAM became an SEC-registered investment adviser in March 2011.

CAM offers its clients several investment advisory services which provide differing types of investment management styles and/or services. In general, we offer discretionary investment management services to our clients, focusing on equities, fixed income, exchange traded funds, mutual funds and options. In that regard, as agreed with any particular client, we may offer management services that would utilize investment strategies that invest in all segments of the securities markets, or that focus on particular segments of the market, for instance, large- or small-capitalization equities or fixed income securities, or which take a more balanced asset allocation approach that allocates a client’s assets over several asset classes that do not all perform in the same manner in all economic circumstances to attempt to control or reduce risk. Options may be utilized as part of any of our investment strategies, either as investments or in order to hedge other positions to reduce risk. Investment strategies range from more aggressive, capital gains-oriented equity strategies, to more conservative balanced or income-oriented approaches. We also offer advisory programs that specialize in particular types of investing as described in Item 8 below.

We may also offer advisory programs that incorporate a “wrap-fee” structure in which the fee paid by the client would cover both the management of the client’s account and the cost of brokerage transactions effected for the account. Except for the fee structure of such programs, the management of any account in such programs will not differ from the management of any other account using a similar investment strategy. In the event we offer any such wrap-fee programs, the Firm and those of its Portfolio Managers (as defined in Item 5 below) who manage accounts in a wrap-fee program will each receive a portion of the management fee in any such program. Any wrap-fee programs offered by the Firm would be described in a separate Brochure.

In addition to separately-managed accounts of clients, CAM is also the investment manager of a pooled investment vehicle, the Concept Multi Manager Fund, LP (the “Multi Manager Fund”), through which it allocates assets to several underlying portfolio managers who

have been delegated discretionary authority to invest such assets. The investment strategies utilized in the Multi Manager Fund are described in Item 8 below. The Multi Manager Fund itself is deemed to be a client of CAM under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), but even though this Brochure may be provided to an investor therein for informational purposes, no such investor is deemed to be a client of CAM in such capacity. References in this Brochure to the term “client” shall not be deemed to include investors in the Multi Manager Fund in such capacity.

The particular type of investment strategy that may be offered to any prospective client will be determined after meeting with the client to determine the client’s particular financial circumstances, investment objectives and risk tolerance. Within any particular investment strategy, a client would normally have the ability to impose reasonable restrictions on investing in certain securities or types of securities. No investor in the Multi Manager Fund would have that ability.

As of the date of this Brochure, the Firm manages client assets of approximately \$265,090,534 on a discretionary basis.

## **Item 5 – Fees and Compensation**

We generally receive an asset-based management fee for managing our clients’ assets. In addition, and as discussed below and in Item 6 hereof, certain advisory programs offered by us provide for the payment of a performance-based fee in which we are compensated on the realized and unrealized profits in a client’s account, either in addition to, or in place of, an asset-based management fee. Refer to Item 6 for further information regarding such performance-based fees. Our fees are normally deducted directly from the client’s account (that is, our clients are not separately billed for the amount of the fee), and asset-based management fees are normally paid on a calendar quarterly basis in advance, although certain programs offered by us may provide for payment of the applicable fee in arrears. Depending upon the terms of the particular advisory service offered, asset-based management fees may or may not be prorated for any additions to or withdrawals from a client’s account during a calendar quarter, but a prorated fee will be charged on accounts opened or terminated during a calendar quarter. Upon termination of any account, any prepaid, unearned fees for the balance of the quarter for which the account will not be under management will be promptly refunded.

The Multi Manager Fund does not pay any asset-based management fee to CAM, but pays a performance-based fee to its general partner, which is an affiliate of CAM. CAM also offers an advisory program of separately-managed accounts that utilizes the same multi-manager investment strategy as the Multi Manager Fund. Such advisory program has the same fee structure as the Multi Manager Fund, i.e., no asset-based management fee and a 20%

performance-based fee, which fee is paid directly to CAM. With respect to both the Multi Manager Fund and the separately-managed accounts using the same strategy, the performance-based fee is equal to 20% of the net realized and unrealized gains in any year, subject to a “high water mark” so that no performance fee is payable with respect to any profits until such profits exceed any prior losses incurred by the Fund or an account.

The underlying managers selected to manage the assets of the Multi Manager Fund and the separately-managed accounts that utilize the same investment strategy as such Fund will also be paid a performance-based fee by such Fund and such separately-managed accounts. It is not anticipated that such managers will be paid any asset-based management fee. The Multi Manager Fund and such separately-managed accounts will be responsible for the payment of the fees payable to the underlying managers in addition to any fees payable to CAM or its affiliate, but neither CAM nor its affiliate will receive any part of the fees paid to such underlying managers. Please refer to Item 8 below for a discussion of the multi-manager investment strategy. Clients who participate in the multi-manager investment strategy, as well as investors in the Multi Manager Fund, should be aware that as a result of the fact that both CAM (or its affiliate) and the underlying managers that manage the assets will receive a performance-based fee, the overall fees charged to such client accounts and such Fund may be significant, and lower fees for comparable services may be available from other sources.

Depending upon the particular advisory program in which a client participates, our asset-based management fees range between .50% per year and 2.00% per year, based on the value of the account as of the last business day of the calendar quarter (or on the last business Friday of the calendar quarter if the account’s custodian provides its quarterly valuation as of such day). Such management fees may be paid in advance or in arrears depending upon the terms of the particular advisory program in which a client’s account is managed. The actual fee charged to a client will be subject to agreement with such client, and will be based upon the terms of the particular investment advisory program in which the client participates, the investment strategy used within that program, the types of securities in which the account invests (i.e., fixed income securities, which are normally not actively traded, are generally charged lower fees, while accounts that use investment strategies that involve more active management, such as some equity styles and options, would normally be charged higher fees), as well as the size of any particular account, with larger accounts sometimes paying a lower fee. Fees may be negotiable based upon several factors, including the size of the account, the relationship of the particular client to other existing or potential clients or accounts, the management style used in the management of the account, the particular services offered to the client, and possibly other factors that may be deemed significant by us in any particular instance.

As noted in Item 4 above, some of the advisory programs we may offer may incorporate a “wrap-fee” concept in which the fee paid by the client covers both the management of the client’s account and the cost of all brokerage transactions effected for the account. In such cases, the program will be described in a separate wrap-fee program Brochure. Other advisory programs we offer charge a management fee as well as brokerage commissions, and such brokerage commissions are not credited against our management fee. In all cases, our fees are exclusive of related costs and expenses which will be incurred by the client. Clients may incur odd-lot differentials, transfer taxes, interest charges on margin transactions, wire transfer and electronic fund transfer fees, postage, foreign currency exchange fees, deferred sales charges, and other fees and taxes on brokerage accounts and securities transactions. If an account is invested in mutual funds or exchange traded funds, the managers of those funds also charge internal management fees, which are disclosed in a fund’s prospectus. All of such charges, fees and commissions are in addition to our asset-based management fee, and, if applicable, our performance-based fee, and with the exception of brokerage commissions that may be paid to us as opposed to an unrelated broker-dealer (as explained in the following paragraph), and the possibility that we may share in a portion of any margin interest charges paid by an account, we will not receive any portion of these commissions, fees, and costs.

As noted earlier, CCM, of which we are a division, is also registered with the SEC and FINRA as a broker-dealer, and therefore may execute the transactions that are effected for our clients’ accounts. In the event that we do execute such transactions, we will retain any commissions earned on those transactions and will not credit those commissions against our fees. Such commissions, as well as the asset-based and performance-based fees we charge, will be shared with those of our advisory personnel who manage portfolios under any of our advisory programs (“Portfolio Managers”). This will give us and such Portfolio Managers an incentive to recommend investments based upon the compensation received by them and by us rather than on the needs of our clients. Our obligation is to recommend and effect transactions that are solely in the best interest of our clients, but prospective clients should be aware that the receipt of brokerage commissions in this manner creates a potential conflict of interest in that more active trading, which may not benefit the client, would benefit us and our Portfolio Managers by increasing our revenues from such accounts. Our firm’s Code of Ethics, which sets forth the standard of conduct expected of our employees (see Item 11 for a discussion of our Code of Ethics), requires our personnel to act only in the best interests of our clients. Our supervisory personnel monitor the trading in our advisory accounts and the amount of commission income generated by such accounts in order to detect any level or type of trading that appears to be influenced by the compensation received by us or by our Portfolio Managers. Any possibly inappropriate trading will be brought to the attention of senior management for further review

and analysis, and will be dealt with in an appropriate manner. Clients have the option to purchase investment products we recommend through other broker-dealers that are not affiliated with us.

As a relatively new registered advisor, adequate data is not available to provide any estimate of the percentage of transactions that will be effected by us as the broker-dealer as opposed to an unrelated broker-dealer, but it is likely that most, or at least a majority, of transactions will be effected by us. In addition, at the present time we cannot estimate what percentage of our or our Portfolio Managers' income from any particular client will be from our asset-based or performance-based fees or from brokerage commissions, and therefore we cannot presently determine whether commissions received will make up the primary source of revenue of our Portfolio Managers.

Prospective clients should also see Item 12 for further information about the factors that we will consider in selecting or recommending broker-dealers for client transactions (when such transactions are not effected by us) and determining the reasonableness of their compensation (e.g., commissions).

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

A performance-based fee is one in which an investment adviser is paid a fee that is influenced by the gains made in the client's account. We offer advisory programs that provide for the payment of a performance-based incentive fee by clients participating in those programs under circumstances that are permissible under the Advisers Act. The Multi Manager Fund and the separately-managed accounts that are managed using the same multi-manager investment strategy as such Fund, pay a performance-based fee, but no management fee, to CAM or, in the case of such Fund, an affiliate of CAM, and our Energy Market advisory program (see Item 8 below) may be offered with a fee structure that provides for a performance-based fee but no asset-based management fee component. In addition, certain of our Portfolio Managers are or may be principals in entities that act as the general partner or investment adviser to pooled investment vehicles (hedge funds) that pay a performance-based incentive fee to their general partner or investment adviser. In such circumstances, CAM does not receive any part of such fees, and CAM is not responsible for the management of such hedge funds' investments.

Performance-based fee arrangements may create an incentive for an investment adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement, and may create an incentive to favor such potentially higher fee paying accounts over other accounts that the investment adviser manages in the allocation of available investment opportunities. Under our Code of Ethics, we and our personnel are required to treat all clients equally and fairly, and not to favor any one client or type of client over any other client in allocating investment opportunities. Our supervisory

personnel will monitor our clients' accounts to assure that all clients are treated fairly in all respects. Since the underlying managers selected to manage assets in the multi-manager investment strategy will receive performance-based fees paid by the Multi Manager Fund and the separately-managed accounts, and may also manage accounts that do not pay them a performance fee, they may be subject to the same incentive. Our review of such managers' trading will seek to assure that such managers do not take on excessive risks in their trading for accounts which pay a performance-based fee.

#### **Item 7 – Types of Clients**

We offer our investment advisory services to individuals, including high net worth individuals, trusts, estates and charitable institutions, pension and profit-sharing plans, pooled investment vehicles, and corporations and other business organizations. Accounts normally need to be of a certain minimum size in order to be accepted for management, but such requirements differ depending upon the particular investment advisory program offered or investment strategy employed.

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

Investing in securities involves risk of loss that clients should be prepared to bear, and no assurance can be given that any of the investment strategies described below will achieve their objectives.

**General** We offer several different investment strategies and advisory programs to our clients based on the financial circumstances, investment objectives and risk tolerance of the particular client. Such strategies may involve the use of equities, fixed income securities, options, exchange traded funds or mutual funds, derivative instruments or any combination of such securities and investments as determined by the particular Portfolio Manager handling a client's account. Within any of the investment strategies utilized by our Portfolio Managers, specific investments may be selected on the basis of fundamental analysis, or on the basis of some form of quantitative analysis that seeks to predict future stock prices based on various mathematical formulas or analysis, including, possibly, technical analysis. The limitations and risks of the latter type of analysis is that such formulas may not accurately reflect the way in which markets or particular securities actually act under certain circumstances or in reaction to certain events. Fundamental analysis, which seeks to determine whether a security's current price is undervalued or overvalued based on various economic and company-specific measurements and projections of future revenues and earnings, is often subjective, and the market in general may not evaluate the security in the same manner as the person making the analysis. In addition, the estimates of future performance may prove to be inaccurate. Also, the use of strategies which involve a higher level of trading, such as some equity or options

strategies, may negatively affect performance because of the increased costs associated with more frequent trading activity.

**Energy Market** We offer an advisory program in which one of our Portfolio Managers invests client accounts in equities and fixed income securities of domestic and offshore companies that are believed to be likely to become beneficiaries of an increasing level of inefficiency in the energy market. This program will also seek out beneficiaries of the anticipated consolidation and restructuring currently taking place in the energy market as a whole, as well as anticipated beneficiaries of federal legislation which may accelerate this process. This program's primary investment objective is capital appreciation, and the production of current income is not an objective of the program. In addition to producing capital appreciation, the program seeks to preserve capital by raising cash when appropriate and/or by engaging in other hedging techniques.

In addition to the general risks of investing in the securities markets, this program tends to invest in a limited number of securities and will not be widely diversified. In addition, because investments will all be related to the energy markets, client accounts will not be diversified by investing in several different market sectors. As a result of the concentration of the number and types of securities in this manner, client accounts are likely to be subject to a greater degree of volatility than portfolios that are more widely diversified either by holding a larger number of investments or by investing over differing market sectors that may not all be affected in the same way by market or economic events. Further, the market prices of energy companies in general have been subject to significant fluctuations in value as the prices of oil and other energy sources fluctuate based on supply and demand, as well as political and economic events. Clients who may need to liquidate all or part of their portfolios at any time may therefore suffer losses during periods of negative performance.

This program may also trade and invest in certain derivative instruments including, but not limited to options, for investment purposes and not only to hedge portfolio risk. Derivatives are financial instruments or arrangements in which the risk and return are related to changes in the value of other assets, such as stocks, interest rates or indices. They generally provide a form of leverage in that they permit an investor to speculate on fluctuations in the prices of such other assets while investing only a small percentage of the value of the underlying asset. However, trading and investment in derivatives is highly speculative and may entail greater risks than those of investing in other securities. A client's ability to profit or avoid risk through trading or investing in derivatives will depend in part on the Portfolio Manager's ability to anticipate changes in the prices of the underlying assets. In addition, prices of options and other derivatives are generally more volatile than prices of other securities. As a result, a change in the market

price of the underlying assets will generally result in a much greater change in the price or value of the derivative.

Options and other derivatives can also be used to hedge related positions against potential loss. But such hedging strategies can also be expected to involve transaction costs, and may inherently limit or reduce the potential for profit on the related asset.

This program may, in allowable account types, also engage in short sales if the Portfolio Manager believes that such transactions can be made on a profitable basis. Short sales can, in some circumstances, substantially increase the impact of adverse price movements on a client's portfolio, and a short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the client of buying securities to cover the short position.

**Merger Arbitrage** We offer an investment advisory program providing discretionary management services in connection with merger transactions. In general terms, merger arbitrage involves taking positions in announced transactions in an effort to profit by receipt of the spread between the cost of the target company's stock and the amount of cash or the value of securities being offered in exchange for that stock. As an example, in a transaction in which Company A makes an offer to exchange one share of its stock, presently selling for \$25 per share, for each share of Company B's stock, presently selling for \$17.50 per share, that is tendered, the Company B stock will normally increase to a price that is near, but not exactly at, the value of a share of Company A's stock, and the two securities will remain approximately in that ratio until the transaction closes. In merger arbitrage, a trader can lock in a profit if he or she can buy the B stock for, say, \$24½, and sell short the same number of shares of the A stock at \$25. Ignoring transaction costs or the time value of money for purposes of the example, the trader receives \$25 for each share of A stock he sold, and paid \$24.50 for each B share that he bought, and locked in a \$.50 profit on each share if the transaction is ultimately completed. Since the trader will receive one A share for every share of the B stock tendered if the transaction is completed, the trader can always wait until completion and use the A shares received to cover the short position he established in the A shares, and the \$.50 profit is then fully earned. Or the trader may choose to liquidate the positions prior to completion of the transaction. In the latter event, he may lose a part of the \$.50 profit he attempted to lock in at the outset, or perhaps could suffer a loss if the price ratio between the A and B shares had changed. Although one can engage in merger arbitrage by utilizing stock options on one or both sides of the transaction, it is not expected that our Portfolio Manager will do so.

A trader engaging in merger arbitrage must carefully analyze the likelihood that the transaction will actually be completed, as well as the possibility that regulatory or other

unexpected delays could extend the time before completion. The most significant risk of merger arbitrage investing is that an announced transaction is not completed. This may occur for any number of reasons, such as antitrust or other unforeseen regulatory problems, or litigation that blocks the transaction, or because the acquiring company elects to cancel the offer because of information it obtained in its due diligence review of the target. Should the transaction in the above example not be completed, the B shares would be likely to fall back to their pre-announcement value, so that the trader could only sell the shares he purchased at \$24.50 for approximately \$17.50, while he would have to cover the short position in the A shares for approximately \$25 per share, or possibly higher, resulting in a loss of \$7.00 per share or more. Another risk of merger arbitrage is that a transaction, although actually completed, may take longer to complete than originally contemplated. In that instance, the relatively small percentage profit a trader may earn on the transaction will be earned over a longer period of time, thereby reducing the expected annualized rate of return. In order to engage in merger arbitrage profitably, it will be of utmost importance for our Portfolio Manager to accurately evaluate the risk of a transaction not being completed, since the loss in an uncompleted transaction will normally far outweigh the relatively small profits that are made in a number of completed transactions. It will also be important to gauge the length of time that may be necessary to complete any transaction, since any significant delays in the completion of a transaction will adversely affect the annualized rate of return on the investment.

**Multi-Manager** We offer an investment advisory program in which we allocate client assets to several underlying portfolio managers who have been delegated discretionary authority to invest those assets pursuant to a variety of investment strategies. The investment objective of this multi-manager program, which is utilized in the management of the Multi Manager Fund as well as in certain separately-managed accounts, is to seek consistent absolute returns primarily through capital appreciation, while attempting to limit volatility and preserve capital.

Client assets may be allocated among as many as twenty-five underlying managers who have been selected based on their performance, correlation of their returns and CAM's analysis of current and expected economic and market conditions. It is expected that the underlying managers will have a broad range of investment strategies, investing primarily in U.S. and Canadian equities, equity options, exchange-traded funds, futures, taxable and tax-advantaged fixed income securities, and other asset classes. CAM will attempt to select underlying managers whose investment strategies will have uncorrelated results under varying market scenarios and exhibit differing risk exposures, and will monitor asset allocations among such underlying managers through the imposition of volatility guidelines and exposure and loss limitations.

## **Item 9 – Disciplinary Information**

In this Item, registered investment advisers are required to disclose certain disciplinary information regarding the investment advisory firm itself or about any of its “management persons,” which generally includes all of an investment adviser’s principal executive officers and directors, as well the adviser’s investment committee if it has one, or, if not, the persons who determine general investment advice to be given to clients. In that regard, we disclose the following information:

CAM has no disciplinary information to disclose about itself.

In 2008, Jack Seibald and Michael Rosen, who are each Managers of CAM and are members of the investment committee that selects the underlying managers that manage assets for the Multi Manager Fund and the separately-managed accounts in the multi-manager strategy, but are not otherwise involved in the day-to-day management or supervision of our investment advisory business, each entered into an Acceptance, Waiver and Consent (“AWC”) with FINRA to resolve an alleged rule violation that occurred in 2002 while such persons helped operate a division of another broker-dealer which provided prime brokerage services to hedge funds.

Messrs. Seibald and Rosen managed some hedge funds at the broker-dealer while these funds received prime brokerage services from the broker-dealer. To address the potential conflicts that arose from their dual roles as employees of the broker-dealer and managers of hedge funds that did business with the broker-dealer, the offering documents for one share class of one of these funds, as well as an agreement they had signed with an entity that referred investors to the hedge fund, provided that Messrs. Seibald and Rosen would not share, directly or indirectly, in any commissions the broker-dealer earned from trading for the fund class. However, in 2002, the broker-dealer and Messrs. Seibald and Rosen modified their compensation structure so that they shared in the division’s profit pool, which was derived in part from commissions the broker-dealer earned on the fund’s trading. Messrs. Seibald and Rosen orally informed the referring entity of the change in their compensation structure, but did not verify that that entity told the investors it brought to the fund of this change, nor did they assure that the fund amended its offering documents to reflect this change. The settlement with FINRA provided that Messrs. Seibald and Rosen were each fined \$100,000 and suspended for twenty days.

The State of Illinois also filed separate Notices of Hearing against each of Mr. Seibald and Mr. Rosen emanating from the above AWC. In order to resolve these matters, and to be able to obtain Illinois registrations to conduct business as registered representatives of the broker-dealer, Messrs. Seibald and Rosen each agreed not to challenge the allegations at a hearing and, instead, agreed to the entry of final orders. The orders issued in June 2009 required each of them to pay \$1,500 in administrative costs, and each agreed that he would not solicit any Illinois resident to invest in any private entity for which he serves as an investment manager or advisor for a period of one year, which has since passed (the “Illinois Matter”).

In 2011, the NFA approved CCM’s registration with the CFTC as an introducing broker subject to certain restrictions as a result of the “Illinois Matter”.

As a result of their status as Managers of CCM and partial owners of its parent companies, Messrs. Seibald and Rosen participate in the profits and losses of CAM and CCM, which profits and losses are derived from revenues which include brokerage commissions that may be earned from the Multi Manager Fund and the separately-managed accounts that utilize the multi-manager investment strategy. Neither Mr. Seibald nor Mr. Rosen is directly involved in the selection of the broker-dealers through which transactions for such Fund or accounts are executed by the underlying managers who manage the investments in such strategy, although it is expected that a large part of such transactions will be executed through CCM.

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

As noted previously, CCM, of which CAM is a division, is also registered as a broker-dealer with the SEC and FINRA, and it is registered with the CFTC and the National Futures Association as a commodities futures introducing broker. All of our senior management personnel, as well as our Portfolio Managers who manage client accounts, are or will be registered with FINRA as registered representatives, and some, but not all, of our personnel will be registered as associated persons with the National Futures Association. In addition, as described in Item 6 above, some of our Portfolio Managers may be associated with the general partner to a pooled investment vehicle that is not managed by us. Such Portfolio Managers may have a conflict of interest as described in Item 6.

#### **Item 11 – Code of Ethics**

CAM and/or its Portfolio Managers and other associated persons involved with its investment advisory business (such Portfolio Managers and other associated persons being referred to as “advisory personnel” in this section of the Brochure) are permitted to buy or sell securities that are recommended to clients for purchase and sale, but no such transactions may be made in such a manner as will adversely affect any client. However, since our own or our

advisory personnel's investment objectives or trading strategies may differ from those of our clients, we and/or our advisory personnel may take action with respect to ourselves or themselves that is different from action taken with respect to clients. It is also possible that we may give advice and take action for some clients which differs from advice given, or the timing and nature of action taken, with respect to other client accounts.

We have adopted a "Code of Ethics" which sets forth the standards of conduct expected of our advisory personnel, and which addresses the conflicts that can arise from personal trading by them. This Code of Ethics requires that advisory personnel obtain pre-approval of any brokerage accounts they wish to open, and requires pre-approval of any transactions by them which are not to be executed as part of a bunched order on behalf of clients and advisory personnel. The Code of Ethics also requires periodic reporting by advisory personnel through duplicate copies of confirmations and account statements or otherwise so that we can monitor their trading to prevent any violations of the Code of Ethics or other conflicts of interest which could result from trading by our advisory personnel. The Code of Ethics also includes provisions relating to the confidentiality of client information, a prohibition on trading on inside information, and restrictions on the outside business activities of our advisory personnel, among other things. All of our advisory personnel must acknowledge the terms of the Code of Ethics annually. A copy of the Code of Ethics will be provided to clients or prospective clients upon request.

It is our policy to treat all client accounts fairly and equitably, and we do not favor one group of client accounts over any other. In order to handle transactions for all of our clients in the fairest and most cost effective manner possible, we will often bunch orders to get a better price for the particular security for a number of client accounts. In other words, rather than effecting multiple transactions, i.e., one for each client account, we will buy one or more larger blocks of the security in question and allocate the securities among the appropriate designated accounts at the average price paid or received in filling the order. These bunched orders may include orders for the accounts of our advisory personnel.

In the event that an entire bunched order cannot be filled on the same day, our policy is as follows:

- (1) First, any part of the order which was placed for our advisory personnel will be eliminated in order to determine whether all client orders can be satisfied with the portion of the order that was filled. If any balance remains after all client orders have been filled in this manner, orders for our advisory personnel will then be filled on a *pro rata* or other appropriate basis.

(2) Second, if the quantity filled is still insufficient to satisfy all of the client orders after elimination of the orders for advisory personnel, we will allocate the amount filled on a *pro rata* basis based upon the amount of the order that was intended to be bought or sold for each such client account (e.g., if only 60% of an order was filled, each client account would receive 60% of the amount originally intended for such account). In making such *pro rata* allocations, however, accounts that would otherwise receive an odd lot allocation may be rounded up to a round lot unless doing so would, in our view, unreasonably affect allocations to all other clients.

(3) If an order cannot be completely filled on a single trading day, it is our policy to cancel the unfilled balance of the order. Depending upon the market in that security on the following trading day(s), an order may be placed for the balance of the order on another day, with allocations to be made among the accounts in a manner that will fill, as nearly as possible under the circumstances, the original amounts intended for each of the clients' accounts. Orders for associated persons which had been eliminated in the previous allocation may be included with such later orders in the same manner as our general policy described above.

It is our policy that the firm will not effect any principal or agency cross securities transactions for client accounts, nor will it cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is a transaction in which an investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Since CCM is also registered as a broker-dealer, we have the ability to effect such agency cross transactions, but we have established a policy not to do so.

## **Item 12 – Brokerage Practices**

In general, we will have discretionary authority to (i) determine the type and amount of securities to be bought or sold for client accounts, and (ii) negotiate the commission rates to be paid. In addition, we will have the authority to select the broker-dealer to be used to execute such transactions. In that regard, most, but not necessarily all, transactions for client accounts, including the Multi Manager Fund, will likely be executed by us as the broker-dealer. With respect to such executions, we have determined that the combination of our execution capability, our commission rates, the general level of service available from our clearing broker in settling the trades, and other factors warrant the execution of most such transactions by us or through one of our clearing brokers. As described under Item 11 above, we will generally execute

transactions in which several clients will participate in a bunched order in which all participating clients will pay or receive the average price obtained in all of the transactions.

As described in Item 5 above, we may have a conflict of interest when we execute client transactions as the broker-dealer, rather than selecting another broker-dealer to execute such transactions, since we and our Portfolio Managers will receive the brokerage commissions in such transactions. Please refer to item 5 for a discussion of the manner in which we deal with such conflict.

It is likely, however, that not all transactions for client accounts will be executed by us. In some cases, we may not have the expertise to efficiently and economically execute transactions in certain types of securities. In addition, we may consider the availability of research or other products and services that may be available in connection with executions made through other broker-dealers.

In selecting the broker-dealers to execute portfolio transactions for those occasions when we do not execute these transactions, we consider numerous factors, including, but not limited to, the broker-dealer's execution capabilities, the furnishing of research, their commission rates, and their overall level of service. Although we do not presently have any arrangements in which we will receive research or other services in connection with securities transactions effected for client accounts through broker-dealers other than ourselves ("soft dollar arrangements"), we may enter into such arrangements in the future. The research obtained may be created or developed by the executing broker-dealer, or it may be created or developed by a third party and provided to us by the executing broker-dealer. In the event that we enter into any such soft dollar arrangements, the research or other products or services obtained in such arrangements may be used for the benefit of all of our clients, not just those whose securities transactions paid for the products or services. While any broker-dealers we may use to execute transactions may charge commissions that may be higher than those obtainable from other broker-dealers for any particular transaction, including ourselves or our clearing brokers, we will only cause clients to pay brokerage commissions that we have determined in good faith to be reasonable in relation to the value of the research and brokerage services provided by such broker-dealers.

We may also direct the execution of some transactions for the Multi Manager Fund to broker-dealers who refer prospective investors to such Fund. Since such referrals will benefit CAM and its affiliates but provide little, if any, benefit to other investors in such Fund, we will have a conflict of interest when allocating Fund brokerage business to such broker-dealers. However, CAM does not intend to allocate brokerage business to a referring broker-dealer unless it determines in good faith that the commissions payable to such broker-dealer are reasonable in

relation to those available from non-referring broker-dealers offering services of substantially equal value to the Multi Manager Fund.

If we use broker-dealers other than ourselves to execute client transactions and receive research from or through such broker-dealers, we may be viewed as receiving a benefit because we will not have to produce or pay for such research ourselves. We may also have an incentive to select a broker-dealer to execute such transactions based on our receipt of those soft dollar benefits rather than on the basis of our clients' interest in receiving the most favorable execution. Our Code of Ethics prohibits us from acting otherwise than in the best interests of our clients.

### **Item 13 – Review of Accounts**

Our Portfolio Managers will review and monitor client accounts assigned to them on an ongoing basis subject to the continuing review and oversight of our supervisory personnel. Such Portfolio Managers will be responsible for the overall management of client accounts, including tracking and continually reviewing the performance of client investments and client portfolio allocations. Account reviews may also occur as a result of (a) client requests, (b) changes in a client's personal or financial condition (when we are advised of such changes), (c) changes in tax laws or in economic factors that could affect a client's financial position, or (d) the occurrence of economic or political events that may impact clients. Our supervisory personnel will also review client accounts on a periodic basis in order to monitor relative performance and adherence to investment criteria.

In addition to such reviews, our Portfolio Managers will review trade executions on a continual basis, and our operations personnel will review trade reports on a next-day basis, to ensure that each transaction was properly executed and correctly reported.

Clients will receive confirmations of all transactions executed for their account, monthly account statements sent by our clearing broker, which acts as the independent custodian for our clients' accounts, as well as quarterly reports which include an analysis of the client's portfolio holdings and other information. See also Item 15 below regarding custody of client accounts.

Although investors in the Multi Manager Fund will receive reports relating to the performance of such Fund and their investments therein, they will not receive confirmations of transactions or other documentation ordinarily provided to separately-managed accounts.

### **Item 14 – Client Referrals and Other Compensation**

We do not presently have any arrangements under which we receive any benefit from a third party for providing investment advice to our clients, nor do we compensate any third party for referring any investment advisory client to us. We may compensate broker-dealers who refer

investors to the Multi Manager Fund by the payment of a marketing fee or commission, including ongoing payments, at our own expense. If any sales charge is to be paid directly by the investor, such charge will be disclosed to, and acknowledged by, such investor. See Item 12 above for a discussion of the possible allocation of brokerage business to broker-dealers who refer investors to the Multi Manager Fund.

### **Item 15 – Custody**

As noted in Item 13 above, clients will receive monthly statements from the independent custodian which holds and maintains our clients' accounts and assets. Clients should carefully review such statements and compare them to any account statements or other information you may receive from us. Our statements could vary from the custodial statements based on accounting procedures, reporting dates, or valuation methodologies with respect to certain securities.

### **Item 16 – Investment Discretion**

At the outset of an advisory relationship with a client, we will normally receive discretionary authority from the client to determine the identity and amount of securities to be bought and sold. In all cases, however, that discretion will be exercised in a manner consistent with the agreed-upon investment objectives for the particular client account and with any reasonable limitations and restrictions that the client may place upon the account, which limitations and restrictions must be provided to us in writing. The investment discretion granted to us by the client is included in the Investment Management Agreement or other power of attorney we will execute with the client at the start of our relationship.

### **Item 17 – Voting Client Securities**

Generally, we will not vote proxies for securities held in client accounts. Accordingly, in these situations, the client will retain the sole right to vote such proxies and we will instruct our clearing firm or other custodian to forward proxy solicitation materials directly to the client.

With regard to any of our clients who are subject to ERISA, however, we will be responsible, except to the extent otherwise provided by law, to vote proxies for securities held in such clients' accounts. Such ERISA clients may elect to retain the right and obligation to vote proxies and take other action relating to securities held in their account. If ERISA clients elect not to retain proxy voting rights, we may vote such proxies ourselves or we may retain an independent proxy voting service to receive all proxies, proxy solicitations and related materials, including annual and interim reports and other issuer materials and to vote such proxies on our clients' behalf.

ERISA clients may obtain a copy of our complete proxy voting policies and procedures upon request. Such clients may also obtain information from us about how we voted any proxies on behalf of their account(s).

#### **Item 18 – Financial Information**

In this Item 18, registered investment advisers are required to provide clients with certain financial information or disclosures about their financial condition which are reasonably likely to impair their ability to meet contractual commitments to clients. We have no such financial condition to disclose.