



Form ADV Part 2A • Client Brochure



ITEM 1: COVER PAGE

This brochure provides information about the qualifications and business practices of The Colony Group, LLC. If you have any questions regarding the contents of this brochure, please do not hesitate to contact our Chief Compliance Officer, Vincent Gratch, by telephone at (617) 723-8200 or by email at vgratch@thecolonygroup.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about The Colony Group is available on the SEC's website at www.adviserinfo.sec.gov. The Colony Group's SEC number is 801-72862.

Registration with the SEC does not imply a certain level of skill or training.

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ITEM 2: MATERIAL CHANGES

As explained in more detail in Item 4 below, on July 1, 2012, Colony succeeded to the business of Mintz Levin Financial Advisors LLC, a Limited Liability Company organized in Delaware ("MLFA"). Clients of MLFA were formally notified of the succession and assigned their advisory agreements to Colony.

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ITEM 4: ADVISORY BUSINESS

A. Description of the Advisory Firm

The Colony Group, LLC, (“Colony”) is a Limited Liability Company organized in Delaware. Colony is an investment advisory firm registered with the United States Securities and Exchange Commission (“SEC”). Colony is a successor to The Colony Group, LLC, a Limited Liability Company organized in Massachusetts (SEC # 801-27451) (“Old Colony”), and The Colony Group of Naples, LLC, a Limited Liability Company organized in Delaware (SEC # 801-67456) (“TCGN”). Effective October 1, 2011, clients of Old Colony and TCGN assigned their advisory agreements to Colony.

On July 1, 2012, Colony acquired Mintz Levin Financial Advisors, Limited Liability Company organized in Delaware (SEC # 801-55976) (“MLFA”). Effective July 1, 2012, clients of MLFA assigned their advisory agreements to Colony.

Colony is managed by the following individuals through a management agreement between TCG Partners, LLC and Focus Operating:

Michael J. Nathanson, JD, LLM
Chairman, CEO & Director

Robert J. Glovsky, JD, LLM, CFP
Vice Chair and Senior Financial Counselor

Stephen T. Sadler, JD, LLM
Managing Director and Senior Financial Counselor

Elisabeth L. Talbot, CFA, CPA
Managing Director and Senior Financial Counselor

Colony is owned by Focus Operating, which is owned by Focus Partners. Focus Partners is owned by Summit Ventures VI-A, L.P., which is owned by Summit Partners VI (GP), LP, which is owned by Summit Partners VI (GP), LLC.

Colony succeeded to the business of Old Colony and TCGN on October 1, 2011.

Colony succeeded to the business of MLFA on July 1, 2012.

Old Colony had been providing investment advisory services since 1986. TCGN had been providing investment advisory services since 2007. MLFA had been providing investment advisory services since 1998.

B. Types of Advisory Services

Colony offers investment management and financial counseling services to its clients. Investment management services are provided through and under the name Colony Investment Management, a division of The Colony Group, LLC. Financial counseling services are provided through and under the name Colony Wealth Management, a division of The Colony Group, LLC. These divisions are not formal legal entities; they are operating units of Colony.

Investment Management Services Offered

- Discretionary management of proprietary equity and fixed-income strategies
- Discretionary management of mutual fund and exchange-traded fund strategies
- Selection and supervision of alternative investments and other private offerings
- Selection and supervision of third-party separate account managers
- Supervision, advice, and monitoring of non-discretionary accounts

Financial Counseling Services Offered

- Investment planning
- Retirement Planning
- Tax Planning
- Cash-Flow Planning
- Tax Return Preparation
- Estate Planning
- Trustee Services
- Risk Management
- Philanthropic Planning
- Education planning

C. Client-Tailored Advisory Services

Investment Management Services

Colony tailors its investment management services to the individual needs of its clients. Colony seeks to understand each client's goals, objectives, time horizon, risk tolerance, and tax position. The client and Colony then decide on an investment plan that may include the utilization of Colony's proprietary equity, fixed-income, mutual fund, and exchange-traded fund strategies, alternative investments and other private offerings, third-party separate account managers, and supervision of certain non-discretionary accounts. With respect to accounts managed on a discretionary basis, a client is free to impose reasonable restrictions with respect to the management of his/her accounts.

Financial Counseling Services

Each client's needs are different, and Colony tailors its financial counseling services to the specific needs of the client. Each financial counseling client is provided a counselor whose role is to facilitate the provision of financial counseling services that are tailored to the client's unique circumstances.

D. Wrap Fee Programs

Colony does not currently participate in wrap fee programs, but it does offer certain of its proprietary investment strategies on select custodial platforms.

E. Assets Under Management (AUM)

Colony has the following assets under management:

Discretionary AUM	\$2,275,636,802
Non-Discretionary AUM	\$ 326,897,832
Date Calculated	December 31, 2012

ITEM 5: FEES AND COMPENSATION

A. Fee Schedule for Advisory Services

Comprehensive Investment Management Services

Assets Under Management/Advisement	Annual Fee
First \$2,000,000	1.00%
Next \$3,000,000 or portion thereof	0.90%
Next \$5,000,000 or portion thereof	0.80%
Next \$20,000,000 or portion thereof	0.60%
Next \$20,000,000 or portion thereof	0.50%
Over \$50,000,000	negotiable

Colony's asset management services are separate and in addition to any transaction or similar fees/expenses and the fees/expenses charged by any custodian, broker, subadvisor, mutual fund, separate account manager, limited partnership, or other advisor, as the case may be.

The current annual fee charged by the subadvisor to Colony's Enhanced Dividend Growth Strategy is 0.50%, which is collected by Colony on behalf of the subadvisor. The current annual fee charged by the consultant to Colony's long-only technical equity strategy is 0.40%, which is collected by Colony on behalf of the consultant. Colony itself may serve as a separate account manager for portions of certain portfolios, in which cases it may charge an additional annual management fee of 0.25% on assets invested in its proprietary strategies.

An asset management agreement may be terminated at will upon 30 days written notice. Clients are subject to a minimum annual fee of \$10,000. A client's financial counseling fees may be aggregated for the purpose of reaching the \$10,000 minimum.

Colony reserves the right to negotiate investment management fee arrangements with prospective and existing clients. As Colony offers other advisory services, *e.g.*, financial counseling, it reserves the right to take into account fees paid for such services when negotiating investment management fees with clients. Many investment management client relationships predated the implementation of Colony's current fee schedule. For these reasons, a client's fees may be higher or lower than those reflected in the foregoing schedule.

Financial Counseling Services

A client's fee for financial counseling services depends upon the complexity of the engagement and scope of work. Prior to executing an advisory agreement for the provision of financial counseling services, the client and his/her counselor will discuss the nature of the work and decide on the annual fee. The scope of work will be outlined in the advisory agreement. A fee for services in subsequent years may be reduced and will be determined based on the complexity of the engagement and scope of work. In all cases, fees for subsequent years will be agreed upon by Colony and the client.

Clients are subject to a minimum annual fee of \$10,000. A client's investment management fees may be aggregated for the purpose of reaching the \$10,000 minimum.

B. Payment of Fees

Investment Management Services

Except as provided below, Colony deducts its investment management fee from the client's investment accounts. Upon engaging Colony to manage such account(s), a client grants Colony this limited authority through a written instruction to the custodian of his/her account(s). The fee is billed in advance on a quarterly basis. A newly managed account is charged a fee from the start date to the end of the quarter. The fee is based on the value of the account the day prior to the start date. Thereafter, the quarterly fee is based on the market value of the account on the last business day of the previous quarter. A net deposit to a managed account that exceeds 10% of the account's prior-day value generally will be charged an interim fee for the remainder of the quarter.

For investments in limited partnerships and similar private offerings managed or advised on by Colony, the manner of payment of a client's fee will depend on the specific investment offering.

Clients generally are required to have their investment management fees deducted from their accounts. In some cases, however, Colony will directly bill a client for investment management fees if it determines that such billing arrangement is appropriate given the circumstances.

Financial Counseling Services

A client may pay his/her financial counseling fee quarterly or annually at the client's option. If the client also has an investment management relationship with Colony, he/she may, in writing, instruct Colony to deduct the financial counseling fee from his/her investment account. Likewise, a client that engages Colony to prepare and file its tax return(s) may grant Colony the authority to deduct the tax preparation fee from his/her investment account.

Legacy clients of MLFA

For legacy clients of MLFA (clients prior to 07/01/12), and certain new clients, one-quarter of the client's annual financial advisory fee is charged in arrears based on the total market value of the client's account(s) as of the last day of each calendar quarter. The fee generally is debited from the client's account(s).

C. Clients Responsible for Custodial and Brokerage Fees

In connection with Colony's management of an account, a client will incur fees and/or expenses separate from Colony's management fee. These additional fees include brokerage fees, custodian fees, transaction charges, and mutual fund fees. The client is responsible for all such fees and expenses. Please see Item 12 of this brochure regarding brokerage practices.

D. Prepayment of Fees

As noted in Item 5(A) above, investment management fees generally are paid in advance. Except as provided below, Colony will, upon receiving notice from a client that he/she has terminated the investment management relationship, issue a refund equal to the unearned management fee for the remainder of the quarter. The client may specify how he/she would like such refund issued (*i.e.*, a check sent directly to the client or a check sent to the client's custodian for deposit into the client's account).

For limited partnerships and similar private offerings managed or supervised by Colony, the ability of a client to obtain a refund of prepaid fees will depend on the specific investment offering.

Legacy clients of MLFA

A Financial Advisory Contract may be terminated upon 30 days written notice. In the event of termination, the client is charged for the financial advisory fee due on a pro rata basis, applicable for the specific number of days the client's assets were managed or supervised during the quarter.

E. Outside Compensation for the Sale of Securities to Clients

Colony does not accept compensation for the sale of securities or other investment products.

ITEM 6: PERFORMANCE-BASED FEES

In general, Colony does not charge performance-based fees for its management services. Nevertheless, Colony is the investment manager of a limited partnership, Colony Multi-Strategy Fund, L.P., (the "Partnership"). Moreover, Colony Funds, LLC, a subsidiary of Colony (the "General Partner"), serves as the general partner of the Partnership. The General Partner has discretionary authority to manage the Partnership's activities. Currently, limited partnership interests in the Partnership are available only to Qualified Purchases (as such term is defined in the Investment Company Act of 1940, as amended, and the rules promulgated by the SEC).

The General Partner and Colony have engaged Palmer Square Capital Management LLC (the "Subadvisor") to serve as the Partnership's subadvisor. The Subadvisor is responsible for the Partnership's day-to-day portfolio management under the general supervision of the General Partner and Colony. Palmer Square Capital Advisors LLC (the "Special Limited Partner"), an affiliate of the Subadvisor, serves as a special limited partner of the Partnership, and, in that capacity, assists the General Partner and Colony in the supervision of the Subadvisor.

Pursuant to the Partnership's fund documents, at the end of the fiscal year, the General Partner and the Special Limited Partner may receive a performance fee based on the increase to a limited partner's capital

account if such increase exceeds a pre-defined hurdle. The possibility of receiving a performance-based fee may create an incentive for Colony, the General Partner, the Subadvisor, and the Special Limited Partner to make investments on behalf of the Partnership that are riskier or more speculative than would be the case in the absence of such an arrangement.

ITEM 7: TYPES OF CLIENTS

Investment Management Services

Colony generally provides investment management services to individuals, trusts, institutions, charitable foundations, and retirement/profit-sharing plans.

In general, investment accounts managed by Colony must meet a minimum of \$500,000 at inception. Exceptions may be granted when warranted under the circumstances.

In addition, the minimum account size for an alternative investment, private offering, or third-party separate account varies depending on the manager, investment vehicle, and/or platform. In addition, certain allocations within a balanced account may require that the minimum account value exceed \$500,000. In any event, at its discretion, Colony reserves the right to waive its minimums.

Many client relationships predated Colony's current minimum account minimum schedule. For this reason, a client's account minimum may be higher or lower than those in the foregoing schedule.

Financial Counseling Services

Colony offers financial counseling services directly to individuals. Colony also offers financial counseling services to individuals through a corporate-sponsored financial counseling relationship between Colony and the individual's employer. Colony has corporate-sponsored relationships in place with several companies. Generally, these companies provide a financial counseling benefit to employees at the director and/or manager level.

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

A. Methods of Analysis and Risk of Loss

Colony's methods of analysis include fundamental analysis and technical/charting analysis.

1. Fundamental analysis is a method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial, and other qualitative and quantitative factors. This method involves the analysis of factors that can affect a security's value, including macroeconomic factors, such as the overall economy and industry conditions, and company-specific factors, such as its financial condition, management, and competitive advantages.
2. Technical/charting analysis is a method of evaluating a security by analyzing statistics generated by market activity, such as past prices and volume. It does not attempt to measure a security's intrinsic value, but instead uses charts and other tools to identify patterns that can suggest future

activity of the security.

3. With respect to Colony's use of other managers, Colony evaluates such managers and their strategies based on multiple criteria such as their performance, experience, potential for style drift, underlying holdings, size, turnover, process, and fees.

Investing in securities involves a risk of loss. A client can lose all or a substantial portion of his/her investment. A client should be willing to bear such a loss. Some investments are intended only for sophisticated investors and involve a high degree of risk.

B. Material Risks Involved

1. Fundamental analysis concentrates on factors that determine a company's intrinsic value based on expected future cash flow. This strategy seeks to purchase stocks that are trading below our estimation of intrinsic value. Risks such as our ability to forecast future cash flow accurately and use the appropriate discount rate could affect our ability to value a security correctly.
2. With regard to technical/charting analysis, prices and volume are backward looking and cannot predict future prices. Moreover, these metrics reflect the collective wisdom of the marketplace, which is often wrong about the future direction of prices. Finally, when looking at charts, there is a large amount of subjectivity in interpreting what the chart is forecasting.
3. With regard to the use of other managers, risks include the possibility of manager turnover, style drift, underperformance, size constraint, tax inefficiency, compliance, and fee changes. In addition, for alternative investment, private offering, and certain other third-party managers, potential risk factors include lack of liquidity, lack of transparency, layering of fees, and other risks as identified by such managers in their disclosure documents. With respect specifically to Colony Multi-Strategy Fund and other alternative investment vehicles that may charge performance fees, the possibility of receiving a performance-based fee may create an incentive for the manager to make investments that are riskier or more speculative than would be the case in the absence of such an arrangement.
4. Colony's management of equity, fixed-income, mutual fund, and ETF accounts generally involves normal levels of trading. Clients should know that frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs/expenses and taxes.

C. Unusual Risks of Specific Securities

Colony does not primarily recommend a particular type of security. Generally, Colony designs a diversified portfolio of investments for clients.

Colony Hedged-Equity Income Strategy

For certain clients, Colony will construct a portfolio consisting primarily of exchange-traded funds ("ETFs"), including one or more inverse exchange-traded funds. When utilizing this strategy, Colony emphasizes ETFs on which exchange-traded call options currently are available. There are numerous risks associated with an options trading strategy. In focusing on the creation of cash flow from writing (selling) covered call options on some or all of the portfolio's ETF holdings, a client assumes the obligation or risk of selling a position at a specified price, which generally is higher than where the

position currently is trading. Because of this risk, Colony provides each client interested in the strategy the “Characteristics and Risks of Standardized Options” (the “Pamphlet”), written and published by the Options Clearing Corporation. Colony requires that each client, prior to investing in the Hedged Equity-Income Strategy, sign a disclosure that incorporates the Pamphlet and serves as an acknowledgment that he/she has received and read the Pamphlet.

ITEM 9: DISCIPLINARY INFORMATION

Colony has no legal or disciplinary events to report.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Registration as a Broker-Dealer or Broker-Dealer Representative

Neither Colony nor any Colony employee is registered as a broker-dealer or a registered representative of a broker-dealer.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor, or an Associated Person of the Foregoing Entities

Neither Colony nor any Colony employee is registered as a futures commission merchant, commodity pool operator, commodity-trading advisor, or an associated person of the foregoing entities.

C. Relationships Material to Advisory Business

- **Focus Operating & Focus Partners**

Colony is part of the Focus Partners network. As such, Colony is a wholly-owned subsidiary of Focus Operating, which is a wholly-owned subsidiary of Focus. (See Item 4 above for a complete discussion of the ownership of Colony). Focus also owns other registered investment advisory firms, as well as broker-dealer firms, pension consultant firms, insurance firms, and other financial services firms (collectively, the “Focus Affiliates”). Focus Affiliates provide wealth management, benefit and investment consulting services serving individuals, families, employers, and institutions. Some Focus Affiliates also manage or advise limited partnerships, private funds or limited liability companies as disclosed on their respective Forms ADV Schedule D.

A list of the affiliated investment advisory and broker-dealer firms can be found on Colony's Form ADV Part 1 Schedule D. Additional information about the Focus-affiliated investment advisory firms is available on each respective firm's Form ADV, which are available through the SEC's website at www.adviserinfo.sec.gov.

Colony has no material relationship or conflict of interest with Focus or the Focus Affiliates regarding services that Colony provides to its clients.

- Pooled investment vehicle: *Colony Multi-Strategy Fund, L.P.*

As noted in Item 6 above, Colony controls Colony Funds, LLC, the General Partner of Colony Multi-Strategy Fund, L.P. The General Partner has the authority to manage the Partnership's activities. Interests in the Partnership are suitable only for sophisticated investors who do not require immediate liquidity for their investments, for whom an investment in the Partnership does not constitute a complete investment program, and who fully understand and are willing to assume the risks involved in the Partnership's investment program. Effective November 1, 2012, new limited partners must qualify as Accredited Investors (as such term is defined in Rule 501 of Regulation D promulgated by the SEC under the Securities Act of 1933) and must qualify as Qualified Clients (as such term is defined in Rule 205-3 under the Investment Advisers Act of 1940). Prior to November 1, 2012, limited partner subscriptions were limited to Qualified Purchasers (as such term is defined in the Investment Company Act of 1940, as amended, and the rules promulgated by the SEC).

Pursuant to the Partnership's fund documents, at the end of the fiscal year, the General Partner and the Special Limited Partner may receive a performance fee based on the increase to a limited partner's capital account if such increase exceeds a pre-defined hurdle. The possibility of receiving a performance-based fee may create an incentive for Colony, the General Partner, the Subadvisor, and the Special Limited Partner to make investments on behalf of the Partnership that are riskier or more speculative than would be the case in the absence of such an arrangement.

None of the management agreement or any of the agreements, contracts, and arrangements between the Partnership, on the one hand, and the General Partner, Colony, and/or their respective affiliates, on the other hand, was or will be the result of arm's-length negotiations. The attorneys, accountants, and others who have performed services for the Partnership in connection with the issuance of interests, and who will perform services for the Partnership in the future, have been and will be selected by the General Partner. The General Partner and Colony are affiliates and under common control. Similarly, the Special Limited Partner and the Subadvisor are affiliates and under common control. Nevertheless, the General Partner and Colony, on the one hand, and the Special Limited Partner and Subadvisor, on the other hand, are not affiliates and are independent of each other. The Partnership's fund documents contain additional information that must be reviewed by any potential investor.

D. Selection of Other Investment Advisors and Compensation Received

Colony may utilize third-party managers and/or unaffiliated alternative investment vehicles for the purpose of providing a client an overall diversified portfolio. Colony does not receive compensation from those managers or alternative investment vehicles.

Subadvisors

From time to time, Colony may enter directly into subadvisory relationships with independent registered investment advisory firms ("subadvisors") on behalf of its clients pursuant to the delegation authority granted to Colony by its clients in such clients' investment management agreements. Subadvisors generally offer investment strategies separate and distinct from the proprietary strategies offered by Colony.

Prior to entering into a relationship, Colony performs a due diligence review of the subadvisor. This review includes, but is not limited to, the review of regulatory filings, compliance program, investment offerings, and the performance of the strategies considered. The due diligence process includes multiple conversations and may include in-person visits to the subadvisor's place of business.

When a strategy offered through a subadvisor is appropriate for a client of Colony, Colony will provide the client with the subadvisor's Form ADV Part 2A and 2B, Privacy Notice, and any other information that may be relevant or informative to the client. In addition, each client that invests in a subadvised strategy is required to acknowledge, in writing, the Colony-subadvisor relationship and the specific strategy offered through the subadvisor. The client will not engage the subadvisor directly; the client's advisory relationship remains with Colony as set forth in the client's investment management agreement.

Colony has a subadvisory relationship with Copeland Capital Management, LLC ("Copeland"), of Conshohocken, PA, through which Colony offers the Colony Enhanced Dividend Growth Strategy (the "Strategy"). The Strategy seeks to provide capital by holding a portfolio of stocks exhibiting dividend growth, while seeking to preserve capital by tactically exiting sectors displaying technical weakness. The stock selection process screens for stocks with five years of dividend growth that then are ranked using a quantitative model based on factors linked to the company's ability to pay and increase dividends. The portfolio holds equal-weight positions in the five top-ranked stocks in each sector with a positive technical signal. The maximum sector allocation is 25%, and cash is held if a portfolio invests in three or fewer sectors. Colony will utilize Copeland's services for those clients for whom the Strategy is appropriate.

Colony has a subadvisory relationship with CapGroup Advisors, LLC ("CapGroup"), of Richmond, Virginia. As is Colony, CapGroup is owned by Focus Operating. CapGroup offers to provide investment subadvisory services to institutional clients of Colony and certain other Focus Affiliates. There is no requirement that Colony use CapGroup's services in lieu of its own services for its institutional clients; the use of CapGroup's services is at the discretion of Colony and is based on Colony's judgment regarding the most effective and appropriate services for the particular client.

Investment Consultant

Colony has a consulting agreement with Contravisory Investment Management Inc. ("Contravisory"). Contravisory is a SEC-registered investment advisory firm based in Norwell, MA. For clients for whom it is appropriate, Colony will construct a diversified long-only technical equity portfolio that seeks to capitalize on the long-term relative price trends in the equity markets. Contravisory acts as an investment consultant and provides Colony with the investment recommendations with respect to this strategy. A Colony client invested in this strategy has no relationship with Contravisory; his/her investment advisory relationship remains with Colony.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

A. Description of Code of Ethics

Colony has adopted a Code of Ethics (the "Code") pursuant to SEC rule 204A-1. The Code provides that each employee place the interests of Colony's clients ahead of their own. The Code covers the following areas: Prohibited and Restricted Activities; Reporting Requirements; Certification of

Compliance; Confidentiality; Recordkeeping Requirements; Insider Trading; and Compliance with Laws and Regulations. Colony's Chief Compliance Officer will provide a copy of the Code to any client or prospective client upon request.

B. Recommendations Involving Material Financial Interests

Under the Code, related persons of Colony are required to disclose any personal material interest they have in a security that Colony recommends to clients. As explained in Item 6, Colony is the investment manager of a limited partnership, Colony Multi-Strategy Fund, L.P. (the "Partnership"). Colony may recommend limited partner interests to an eligible client for whom it believes the investment would be suitable given the client's goals, objectives, risk tolerance, tax circumstances, and liquidity needs. Conflicts of interest are addressed in Item 8 and further detailed in the fund's offering documents. Prospective limited partners are encouraged to consult their own counsel as to the terms and provisions of the Partnership and its offering documents. Limited partners receive annual audited financial statements prepared in accordance with GAAP, unaudited account statements monthly from the fund's administrator, and such other reports as determined by the General Partner.

C. Investing Related Person's Money in the Same Securities as Clients

Related persons of Colony may invest in a particular investment strategy in which Colony's clients invest. Trades on behalf of clients may be aggregated with trades on behalf of a related person only if the following conditions are met:

1. The clients' trades are treated equally with trades of the related person;
2. Each related person and each client in the trade receive average execution and average commissions; and
3. The securities purchased or sold are allocated pro rata.

The account of a related person receives no favorable treatment with respect to the management of the account or the execution of transactions. Should a potential transaction on behalf of a related person likely conflict with any of Colony's clients, Colony will place its clients' interest first. Colony reviews accounts that it manages on behalf of its related persons to ensure that such accounts have not received preferred treatment.

As explained in Item 6, Colony is the investment manager of a limited partnership, Colony Multi-Strategy Fund, L.P. (the "Partnership"). Colony may recommend limited partner interests to an eligible client for whom it believes the investment would be suitable given the client's goals, objectives, risk tolerance, tax circumstances, and liquidity needs. Conflicts of interest are addressed in Item 8 and further detailed in the fund's offering documents.

D. Trading Securities At/Around the Same Time as Client's Securities

Pursuant to the Code, related persons of Colony may invest in individual securities that also are holdings in Colony's investment strategies. Each related person is required to conduct all personal securities transactions in a manner that is consistent with the Code and to avoid any conflict of interest. No related person may misuse information about client accounts, abuse his or her position of trust and responsibility, or take inappropriate advantage of his or her position. Colony has a policy concerning individual trading by related persons that it believes is reasonably designed to minimize potential conflicts of interest with its clients. In furtherance of minimizing such potential conflicts of interest, Colony prohibits its related persons from trading, either personally or on behalf of others, in securities

while in possession of material non-public information regarding such securities or communicating material non-public information to others.

Other: Outside Financial-Related Business Activity by a Related Person

Colony's President & CEO, Michael J. Nathanson, serves on the Israel Bonds New Leadership Board of Directors. This is a non-compensated position. The purpose of the organization is to assist in the strengthening of Israel's economy through investments in Israel bonds.

ITEM 12: BROKERAGE PRACTICES

A. Factors Used to Select Custodians and/or Broker-Dealers

Colony recommends that its investment management clients custody their accounts/assets at unaffiliated broker/dealer custodians with which Colony has an institutional relationship. Currently, these include Charles Schwab & Co., Inc. ("Schwab"), Fidelity Brokerage Services LLC and National Financial Services LLC (together, "Fidelity"), and TD Ameritrade, Inc. ("TD Ameritrade") (generally and collectively, "BD/Custodian(s)"), all of which are "Qualified Custodians" as that term is described in Rule 206(4)-2 of the Investment Advisers Act of 1940. Each BD/Custodian provides custody of securities, trade execution, and clearance and settlement of transactions placed by Colony.

In selecting a BD/Custodian, some of the factors that Colony considers include:

- Trade order execution; the ability to provide accurate and timely execution of trades
- The reasonableness and competitiveness of commissions and other transaction costs
- Access to a broad range of investment products
- Access to trading desks
- Technology that integrates within Colony's environment, including interfacing with Colony's portfolio management system
- Access to research
- Ability to provide a full range of options for account registrations for Colony's clients
- Availability of a soft dollar or additional services program
- A dedicated service or back office team and its ability to process seamlessly and timely a myriad of requests from Colony on behalf of its clients
- Ability to provide Colony with access to client account information through an institutional website
- Ability to provide clients with electronic access to account information and investment and research tools

Colony may place portfolio transactions through the BD/Custodian where the clients' accounts are custodied. In exchange for using the services of the BD/Custodian, Colony may receive, without cost, computer software and related systems support that allows Colony to monitor and service its clients' accounts maintained with such BD/Custodian. Additional benefits include the receipt of duplicate client confirmations and bundled duplicate statements, access to a trading desk that exclusively services institutional brokerage group participants, access to block trading services that provide the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts, and/or access to an electronic communication network for client order entry and account information. Other benefits Colony may receive include consulting, publications, and conferences on practice

management, information technology, business succession, and regulatory compliance. The availability of these services from the BD/Custodians benefits Colony in that it does not have to produce or purchase them. As applicable, Colony's receipt of such benefits is reviewed to ensure compliance with Securities Exchange Act 28(e)'s safe harbor for so-called "soft dollar" arrangements and the SEC's latest guidelines.

If a client's account meets the BD/Custodian's minimum account size, Colony generally recommends that the client enter into a Prime Brokerage Services Agreement with the BD/Custodian. This agreement permits Colony, in its discretion, to trade away from that BD/Custodian when placing securities transactions on behalf of the client. The account will incur a trade-away fee from the BD/Custodian for each transaction that is executed on a trade-away basis. This fee is separate from the commission/transaction fee imposed by the broker-dealer through which the trade was executed.

Trading away may be advantageous for the client because:

- the broker-dealer may have expertise in a particular security or market
- the broker-dealer makes a market in a particular security
- a particular security is thinly traded
- the broker-dealer can identify a counter-party for a trade

A client may pay higher net execution costs than he/she would have paid if the transaction were placed through the BD/Custodian holding his/her account. Colony reviews its arrangements with the BD/Custodians and other broker-dealers against other possible arrangements in the marketplace as it strives to achieve best execution on behalf of its clients. Colony maintains a list of brokers-dealers that have been approved for trading clients' assets away from the BD/Custodians. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including, but not limited to, the following:

- a broker-dealer's trading expertise, including its ability to complete trades, execute and settle difficult trades, obtain liquidity to minimize market impact and accommodate unusual market conditions, maintain anonymity, and account for its trade errors and correct them in a satisfactory manner
- a broker-dealer's infrastructure, including order-entry systems, adequate lines of communication, timely order execution reports, an efficient and accurate clearance and settlement process, and capacity to accommodate unusual trading volume
- a broker-dealer's ability to minimize total trading costs while maintaining its financial health, such as whether a broker-dealer can maintain and commit adequate capital when necessary to complete trades, respond during volatile market periods, and minimize the number of incomplete trades
- a broker-dealer's ability to provide research and execution services, including advice as to the value or advisability of investing in or selling securities, analyses and reports concerning such matters as companies, industries, economic trends and political factors, or services incidental to executing securities trades, including clearance, settlement and custody
- a broker-dealer's ability to provide services to accommodate special transaction needs, such as the broker-dealer's ability to execute and account for client-directed arrangements and soft dollar arrangements, participate in underwriting syndicates, and obtain initial public offering shares.

