

**Brochure**  
(Part 2A of Form ADV)

**ABR Management LLC**  
**48 Wall Street**  
**Suite 1100**  
**New York, NY**  
**Tel: 212.918.4663**  
**<http://www.abrmanagement.com>**

This brochure provides information about the qualifications and business practices of ABR Management LLC (“ABR”). If you have any questions about the contents of this brochure, please contact Taylor Lukof at 212.918.4663 or [tlukof@abrmanagement.com](mailto:tlukof@abrmanagement.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. Registration as an investment advisor does not imply any certain of skill or training.

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

July 1, 2014

## **Item 2: Material Changes**

### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the last annual update.

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## **Item 4: Advisory Business**

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### **A: Firm Description**

ABR Management LLC, a Delaware limited liability company formed on February 16, 2010 (“ABR”), currently provides discretionary investment advisory services to high-net worth individuals and businesses through managed accounts (collectively, the “Clients”). Taylor Lukof is the founder, managing member and sole owner of ABR.

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### **B: Types of Advisory Services**

ABR’s investment objective is to seek capital appreciation without regard to current income. ABR intends to achieve its objective by seeking inefficiencies in options on publicly-traded common stocks of large-cap companies, sector-based exchange-traded funds (ETFs), broad-based index futures, commodity futures, options on broad-based index futures, and options on commodity futures. This covers all major sectors of companies. ABR intends to invest a majority of its Clients’ total assets in these strategies, but may from time to time, with client consent, invest a portion of its capital in investments into newly developed, tested, and evaluated strategies if more compelling ideas present themselves.

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### **C: Tailored Services**

ABR does tailor its advisory services to the individual needs of its managed account Clients. Clients may impose restrictions on (i) in certain types of investments and (ii) maximum positions and exposure created by Clients' securities holdings.

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### **D: Wrap Fee Programs**

ABR does not participate in any wrap fee programs.

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### **E: Client Assets Under Management**

As of July 1, 2014, ABR managed approximately \$21,219,363.50 in regulatory assets under management for eleven (11) Clients, all of which are managed on a discretionary basis. ABR does not manage any assets on a non-discretionary basis.

## **Item 5: Fees and Compensation**

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### **A. Description**

ABR bases its fees upon a percentage of assets under management and upon performance. Most Clients typically pay ABR quarterly management fees no greater than 2.0% per annum of such Client's net asset value. Clients also pay ABR a performance allocation equal to no greater than twenty percent (20%) of such Client's increase in net asset value (after calculation and accrual of management fees) determined as of the last business day of each quarter, subject to a high water mark. Such fees are currently negotiable.

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### **B. Fee Billing**

Management fees are deducted quarterly from Clients' assets in advance. Any performance allocation is deducted quarterly in arrears from Clients' assets.

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### **C. Other Fees and Expenses**

Clients managed by ABR pay, as the case may be, for all brokerage costs and expenses related to its managed account, including, without limitation, brokerage and other transaction costs, clearing and settlement charges, interest and commitment fees on debit balances or borrowings, borrowing charges on securities sold short, custody fees, the management fees, and any issue or transfer taxes chargeable in connection with any securities transactions. Please refer to Item 12 for more information about brokerage.

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### **D. Fees in Advance**

Clients pay management fees quarterly and in advance. Management fees are calculated based on the balance in each Client's account as of the beginning of each calendar quarter. A managed account Client who terminates its investment management agreement with ABR shall be reimbursed a pro rata portion of any management fees paid in advance based upon the date of termination.

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### **E. Securities Compensation**

Not applicable.

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

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### **Sharing of Capital Gains**

If applicable, Clients pay ABR a performance allocation no greater than twenty percent (20%) of the excess net capital appreciation attributable to such Client's capital account, subject to a high watermark. Performance allocations are generally paid in arrears at the end of each fiscal quarter. ABR has both accounts that solely have performance-based fees and also accounts that have both performance-based and management fees. ABR does not have accounts that have purely management fees, so ABR does not have a conflict of interest between the two types of accounts as all accounts have performance-based fees.

## **Item 7: Types of Clients**

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### **Description**

ABR currently provides investment advisory services and portfolio management on a discretionary basis for high-net worth individuals and businesses.

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### **Account Minimums**

The Clients that ABR manage generally have minimum initial investments of \$250,000, although when ABR is accepting new managed accounts, ABR may accept lesser amounts in its sole discretion. ABR has accepted accounts less than \$250,000 in the past in its sole discretion.

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

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### Methods of Analysis and Investment Strategies

ABR's investment objective is to seek capital appreciation without regard to current income. ABR intends to achieve its objective by investing primarily in equities and options on publicly-traded common stocks with market capitalizations generally averaging over \$25 billion, exchange-traded funds ("ETFs") with total net assets generally averaging over \$10 billion, broad-based index futures, commodity futures, options on broad-based index futures, and options on commodity futures. Positions are held across all major market sectors.

ABR believes that the markets are generally inefficient over short periods of time last from several minutes to several months. Through statistical modeling and quantitative research, ABR believes it has developed a hybrid of systematic and discretionary trading that will allow it to capitalize on these temporary inefficiencies. ABR considers market forces, for example, investor sentiment, to be the primary source of its trading opportunities. ABR enters into positions in options on equities and futures generally for periods lasting from 3-5 days up to 3-5 months, with the option duration generally 6 months or shorter from the time of the trade. Equity and ETF positions are generally held for 3-5 days, although they are traded intraday from time to time. Futures trades are generally held from 15 minutes to 1 day, although they are held shorter or longer from time to time. ABR does not engage in low-latency trading (high frequency trading). The number of positions will depend to some extent on market conditions and opportunities ABR can find in a given trading cycle. While it is possible that ABR can hold a single position on a temporary basis, it is anticipated that no single investment will represent more than 10% of the portfolio at cost (with the exception of exchange traded funds or other hedging instruments).

In an effort to maximize returns, ABR will also employ leverage, from time to time, as a normal course of its strategy. ABR believes that leverage will allow its Clients to take advantage of short-term inefficiencies across multiple asset classes and market sectors. Leverage will be employed to the extent that ABR believes it can substantially exceed the costs of leverage. If ABR is unable to identify investment ideas that it believes will provide a significant margin of safety over the cost of capital, then leverage will not be employed. It is expected that leverage will generally not exceed 200%-300% of the net asset value of its Clients' assets.

The cash balances of the Clients' assets will vary from time to time, as ABR may deem advisable. However, ABR will seek to fully invest the assets of its Clients in most market conditions. Clients will hold any cash balances it may accumulate for investment, reinvestment or distribution in short-term debt securities, securities subject to repurchase agreements, money market mutual funds, interest-bearing bank accounts, short-term U.S. government securities, or other securities.



In general, the Clients' investment strategy has been broadly structured to provide ABR with flexibility to achieve its investment objective. It is impossible to predict the degree of profitability, if any, which may be achieved from the investment strategy described herein. ABR will endeavor to commit its Clients' resources among the various investments and strategies consistent with the philosophy and process articulated herein and in response to changing market conditions and opportunities. However, investing in securities involves risk of loss that Clients should be prepared to bear.

ABR uses a highly statistical approach that seeks to correlate volatility term structure, market sectors, and their relationship to futures and futures options pricings. The process used to identify and evaluate investment opportunities can vary depending on market conditions, but can be generally summarized as follows:

***Sourcing:*** ABR has been actively trading equities, futures, and ETFs and has experience investing in many areas of options and volatility associated with these asset classes. ABR monitors hundreds of companies on a regular basis, in order to find attractive entry points into volatility trades. ABR simultaneously monitors ETFs and broad-based index and commodity futures. Opportunities often occur because of various market forces, such as when the public market overreacts to short-term news flow.

***Evaluation:*** ABR's due diligence process for strategies it employs varies depending on market conditions, the speed with which it feels a strategy needs to be developed, and the internal testing and evaluation process with ABR's capital before it exposes Clients to the strategy. Investments will be made by ABR on behalf of Clients when ABR determines that a favorable risk/reward balance exists.

***Risk Management:*** ABR monitors all positions in an effort to ensure that the investment thesis derived from statistical modeling is still valid. ABR also diversifies investments across the various sectors. ABR's goal is to identify as many short opportunities as it can to generate alpha, not just to hedge market risk. However, ABR will use hedging instruments, such as exchange-traded funds and options, when necessary to manage portfolio risk.

ABR intends to invest primarily in common stocks, options on common stocks, broad-based index futures, commodity futures, options on broad-based index futures, and options on commodity futures.

The types of investments and techniques that may be employed by ABR include, but are not limited to:

***Long and Short Positions:*** Generally, ABR's ETF investments will be "long" positions and "short" positions in which its Clients own or is short securities for capital appreciation. When ABR's models anticipate a decline in the price of an investment, it may sell "short" an ETF or the securities of a particular issuer. Selling short involves borrowing and selling securities which a Client does not own. A Client subsequently returns the borrowed securities by purchasing such securities in the open market at a higher or lower price. A Client may maintain a standing number of short positions such that a Client has a net exposure markedly less than that of the stock market itself. Short sales may be used for profit or as a hedging device to control risk.

***Options and Other Contracts:*** ABR engages in various types of options and derivative investment transactions, including hedging in equity, ETF, index & commodity futures, and futures commodity & index options (both puts and calls) both as an independent source of profits and as part of its hedging strategy. Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. ABR may invest in options when ABR believes that such options present a more favorable risk/reward profile than directly trading in the underlying investment.

The descriptions contained herein of specific strategies that are or may be engaged in by ABR should not be understood as in any way limiting the Clients' investment activities. ABR may engage in investment strategies not described herein that ABR considers appropriate.

### C. Material Risks

All investment programs have certain risks that are borne by Clients. ABR's investment approach constantly keeps the risk of loss in mind.

***Investment and Trading Risks:*** An investment managed by ABR involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that ABR's investment program will be successful. ABR will be investing substantially all of its Clients' assets in investments, some of which may be particularly sensitive to economic,

market, industry and other variable conditions. The markets in which ABR expects to invest have recently experienced and continue to experience significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to ABR's Clients.

**Limited Diversification:** At any given time, it is possible that ABR may make investments that are concentrated in a particular type of investment, industry or market capitalization. This limited diversity could expose ABR to significantly greater volatility than in a more diversified portfolio.

**Use of Leverage:** ABR may leverage Clients' portfolio through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases returns to Clients when a Client earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns if ABR fails to earn as much on such incremental investments as it pays for such funds. In the event that ABR leverages its portfolio, fluctuations in the market value of Clients' portfolios will have a significant effect in relation to its Clients' capital and the risk of loss and the possibility of gain will each be increased. In addition, when ABR utilizes leverage, the level of interest rates generally, and the rates at which ABR can borrow in particular, will be an expense of each Client and therefore affect the operating results of its Clients. Leverage increases the risk of substantial losses (including the risk of a total loss of capital), and leverage can significantly magnify the volatility of a Client's portfolio.

Clients may use short-term margin borrowing in purchasing investment positions. Such borrowing, if made, may result in certain additional risks to Clients. For example, should the investments pledged to brokers to secure the Clients' margin accounts decline in value, Clients could be subject to a "margin call" pursuant to which the Clients would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged investments to compensate for the decline in value. In the event of a sudden, precipitous drop in value of a Client's assets, ABR might not be able to liquidate assets quickly enough to pay off its margin debt.

**Short Sales:** ABR may engage in short sales both as an independent source of profits and as part of hedging transactions. Short sales are sales of investments ABR borrows but does not actually own, usually made with the anticipation that the prices of the investments will decrease and the Clients will be able to make a profit by purchasing the investments at a later date at the lower prices. Clients will incur a potentially unlimited loss on a short sale if the price of the investment increases prior to the time it purchases the investment to replace the borrowed investment. A

short sale presents greater risk than purchasing an investment outright since there is no ceiling on the possible cost of replacing the borrowed investment, whereas the risk of loss on a “long” position is limited to the purchase price of the investment. Closing out a short position may cause the investment to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to recent market events, including the imposition of restrictions on short selling certain investments and reporting requirements. ABR’s ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of ABR. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may from time-to-time impose restrictions that adversely affect ABR’s ability to borrow certain investments in connection with short sale transactions. In addition, traditional lenders of investments might be less likely to lend investments under certain market conditions. As a result, ABR may not be able to effectively pursue a short selling strategy due to a limited supply of investments available for borrowing. ABR may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow an investment is not guaranteed and ABR is subject to strict delivery requirements. The inability of a Client to deliver investments within the required time frame may subject the Client to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Client to unintended costs and losses. Certain action or inaction by third-parties, such as executing broker-dealers or clearing broker-dealers, may materially impact the Client’s ability to effect short sale transactions. Such action or inaction may include a failure to deliver investments in a timely manner in connection with a short sale affected by a third-party unrelated to a Client.

***Small Cap Issuers:*** While ABR trades mainly in large equities in the S&P 500 and ETFs with over \$10 billion in assets, a portion of a Client’s assets may be invested in small-cap issuers from time to time. While, in ABR’s opinion, the securities of small issuers may offer the potential for greater capital appreciation than investment in securities of larger-cap issuers, securities of small-cap issuers also present greater risks. For example, some small issuers have limited product lines, markets, or financial resources and may be dependent for management on one or a

few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment analysts, and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. The market prices of securities of small issuers generally are more sensitive to changes in earnings expectations, corporate developments, and market rumors than are the market prices of large-cap issuers. Transaction costs in securities of small issuers may be higher than in those of large-cap issuers.

***Equity Securities of Growth Companies:*** A portion of a Client's assets may be invested in equity securities of companies that ABR believes have potential for capital appreciation significantly greater than that of the market averages, so-called "growth" companies. The market capitalization of the growth companies in which the Clients will invest may range from small to large capitalizations. Growth stocks are generally more sensitive to market movements than other types of stocks, primarily because their stock prices are based heavily on future expectations. Securities of growth companies may be traded in the over-the-counter ("OTC") markets. While OTC markets have grown rapidly in recent years, many OTC securities trade less frequently and in smaller volume than exchange-listed securities. The values of these securities may fluctuate more sharply than exchange-listed securities, and Clients may experience some difficulty in acquiring or disposing of positions in these securities at prevailing market prices.

***ETF Securities:*** A portion of ABR's investment strategy focuses on investing in ETFs that ABR believes are undervalued or overvalued. Opportunities in undervalued or overvalued equity securities arise from market inefficiencies or due to a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued or overvalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

***Hedging:*** ABR may utilize certain financial instruments and investment techniques for risk management or hedging purposes. There is no assurance that such risk management and hedging strategies will be successful, as such success will depend on, among other factors, ABR's ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of ABR's hedging strategies may also be subject to ABR's ability to correctly readjust and execute hedges in an

efficient and timely manner. There is also a risk that such correlation will change over time rendering the hedge ineffective. It may be more difficult to hedge a position in a smaller cap issuer than a larger-cap issuer. ABR's portfolio is not expected to be completely hedged at all times and at various times ABR may elect to be more fully hedged and at other times hedged only to a limited extent, if at all. Accordingly, ABR's assets may not be adequately protected from market volatility and other conditions.

***Custodian Risk:*** Clients' assets may be held in one or more accounts maintained for certain Clients by its custodian banks, which may be located in various jurisdictions, including emerging market jurisdictions. Custodian banks are subject to various laws and regulations in the relevant jurisdictions that are designed to protect their customers in the event of their insolvency. Accordingly, the practical effect of the laws protecting customers in the event of insolvency and their application to the Clients' assets may be subject to substantial variations, limitations and uncertainties. For instance, in certain jurisdictions custodian could have title to the Clients' assets or not segregate customer assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a custodian, it is impossible further to generalize about the effect of the insolvency of any of them on the Clients and their assets. Investors should assume that the insolvency of any of the custodian banks or clearing corporations may result in the loss of all or a substantial portion of the Clients' assets or in a significant delay in the Clients having access to those assets.

***Risks of Investments in Options:*** Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. Over-the-counter options that the Clients may use in its investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for options is relatively illiquid, particularly for relatively small transactions.

***Derivative Investments:*** Derivative instruments or “derivatives” include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying investments, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular investment, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may expose the Clients to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent ABR from promptly liquidating unfavorable positions and subject the Clients to substantial losses.

***Economic and Regulatory Climate:*** The success of ABR's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of ABR's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may make corporate mergers, exchange offers, tender offers or other similar transactions less desirable or may make arbitrage or trading activities engaged in by ABR less profitable. In particular, it should be noted that many tender offers, acquisitions and other corporate reorganizations require the acquirer to obtain high levels of financing to successfully complete the transaction. In addition, changing market and economic conditions may affect, among other things, the level and volatility of securities' prices, the liquidity of ABR's investments and the availability of certain securities and investments. Volatility or illiquidity could impair the Clients' profitability or result in losses. ABR may maintain substantial trading positions that can be

materially adversely affected by the level of volatility in the financial markets — the larger the positions, the greater the potential for loss.

Recently, global markets experienced unprecedented volatility and losses. The effects thereof are continuing and there can be no assurance that the Clients will not be materially adversely affected.

***Change in Investment Strategies:*** The investment strategies, approaches and techniques discussed herein may evolve over time due to, among other things, market developments and trends, the emergence of new or enhanced investment products, changing industry practice and/or technological innovation. As a result, these investment strategies, approaches and techniques may not reflect the investment strategies, approaches and techniques actually employed by Clients. Nevertheless, the investments made on behalf of Clients will be consistent with ABR's investment objective.



## Item 9: Disciplinary Information

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### Legal and Disciplinary

A. None.

B. None.

C. Self-regulatory Organization (“SRO”)

#### SRO Rule Violation

- i. None.
- ii. None.
- iii. David Skordal, a portfolio manager at ABR, was fined more than \$2,500 from SRO NYSE AMEX dated November 9, 2010. At the time of the violation, he was an equity options market maker on the American Stock Exchange. Please see below for statement of facts:

“STIPULATION OF FACTS AND CONSENT TO PENALTY FILED BY FINRA MARKET REGULATION, LEGAL SECTION AND PENDING. NAME OF SRO: NYSE AMEX. CONSENTED TO FINDINGS: FOR THE SOLE PURPOSE OF SETTling THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, SKORDAL STIPULATED THAT DURING THE PERIOD OF JULY 1, 2006 AND JUNE 19, 2007, HE 1. VIOLATED AMEX RULE 958-ANTE(G) BY FAILING TO (1) EXECUTE AT LEAST 80% OF HIS TOTAL TRADES IN PERSON AND NOT THROUGH THE USE OF ORDERS REPRESENTED BY ANOTHER MEMBER OR MEMBER ORGANIZATION ON THE AMEX DURING EACH CONSECUTIVE CALENDAR QUARTER DURING THE PERIOD OCTOBER 2006 THROUGH MARCH 2007; AND (2) EXECUTE AT LEAST 80% OF HIS OPTION VOLUME IN PERSON AND NOT THROUGH THE USE OF ORDERS REPRESENTED BY ANOTHER MEMBER OR MEMBER ORGANIZATION ON THE AMEX DURING THE PERIOD OF OCTOBER 2006 THROUGH DECEMBER 2006. 2. VIOLATED REGULATION X DURING EACH CONSECUTIVE CALENDAR QUARTER DURING THE PERIOD OF JULY 2006 THROUGH MARCH 2007 BY INAPPROPRIATELY DESIGNATING TRADES IN A MARKET MAKER ACCOUNT WHEREBY SKORDAL KNEW, OR SHOULD HAVE KNOWN, THAT HE CAUSED ABC OR DEF TO IMPROPERLY EXTEND GOOD FAITH MARGIN TREATMENT TO HIM, IN VIOLATION OF REGULATION T; 3. VIOLATED REGULATION SHO RULE 203(B)(1) ON MARCH 5, 2007 AND MARCH 6, 2007 BY EFFECTING ONE OR MORE OFF-FLOOR SHORT SALE TRANSACTIONS IN THRESHOLD SECURITIES, THAT CORRESPONDED TO NON-MARKET MAKING TRANSACTIONS PLACED IN HIS MARKET MAKER ACCOUNT, AND FAILING TO BORROW OR ARRANGE TO BORROW THE SECURITIES PRIOR TO SELLING SHORT; AND 4. VIOLATED REGULATION SHO RULE 200(G) ON JUNE 19, 2007 BY IMPROPERLY MARKING 193 ORDERS AS "SELL LONG" AS OPPOSED TO "SELL SHORT EXEMPT." STIPULATED SANCTION: 1.CENSURE; 2.FINE IN THE AMOUNT OF 15,000.”

## Item 10: Other Financial Industry Activities and Affiliations

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### A. Broker-Dealer

Not applicable.

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### B. Financial Industry Activities

Not applicable.

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### C. Affiliations

ABR and its persons have relationships and arrangements that are material to its advisory business or its Clients with various related persons as described below. None of these relationships or arrangements creates a material conflict of interest with Clients.

1. Not applicable.
2. Not applicable.
3. Not applicable.
4. ABR Management is registered at a Commodity Trading Advisor (“CTA”) with the National Futures Association (“NFA”). Elements of ABR’s strategy may include futures trading for clients that have selected this investment type. This does not create any material conflict of interest for our clients.
5. Not applicable.
6. Not applicable.
7. Not applicable.
8. Not applicable.
9. Not applicable.
10. Not applicable.
11. Not applicable.

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### D. Compensation for Referrals.

Not applicable.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **A. Code of Ethics**

The Access Persons of ABR have committed to a Code of Ethics that is available for review by Clients and prospective Clients upon request. The Code of Ethics has been adopted in accordance with Section 204A and Rule 204A-1 under the Investment Advisers Act of 1940, as amended. Each Access Person must read, sign and deliver a certificate of compliance with the Code of Ethics. In accordance with Rule 204A-1, Access Persons also must provide initial securities holdings reports and annual securities holding reports. In addition, all Access Persons must also have copies of all brokerage account statements related to personal securities transactions regarding reportable securities in which the Access Person has direct or indirect beneficial ownership sent directly to the ABR. Finally, all Access Persons must pre-clear all reportable securities prior to investment.

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### **B. Participation or Interest in Client Transactions**

Mr. Lukof owns ABR and therefore is entitled to the performance-based fees generated by ABR. There is a potential conflict of interest in this arrangement since it could encourage ABR to invest more aggressively in riskier investments than in the absence of this performance allocation. ABR manages this potential conflict of interest by ensuring that the firm acts in the manner which is described in the investment management agreement, which could differ from client to client, with regard to risk objectives and types of investments selected.

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### **C. Participation or Interest in Client Transactions**

ABR and other accounts beneficially owned by family members related to the CIO will invest in the same securities that ABR purchases/sells or recommends to clients. ABR will manage this potential conflict of interest to ensure that any accounts beneficially owned by ABR or any of its related persons purchase or sell such securities at the same time as ABR's clients. To the extent that ABR determines that there is a potential conflict of interest that cannot be addressed or waived, ABR and its related persons will disclose to its clients, seek their consent, and/or abstain from trading in securities that are recommended to or purchased for clients.

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### **D. Participation or Interest in Client Transactions**

See response to Item 11.C above.

## Item 12: Brokerage Practices

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### A. Factors the Firm Considers in Selecting Brokerage Firms

In placing orders for the purchase and sale of securities and selecting brokers to effect these transactions, ABR seeks prompt execution of orders at the most favorable prices reasonably obtainable under the circumstances. In doing so, ABR will consider a number of factors, including, without limitation, the broker-dealer's financial strength, reputation, execution, pricing, research and service. ABR will weigh the amount of the broker-dealer's compensation against the other criteria it considers in selecting the broker-dealer to execute client securities transactions to determine whether the broker-dealer's compensation is reasonable in light of those other factors. Ariel currently maintains a broker-dealer relationship with Interactive Brokers.

#### 1. Research and Other Soft Dollar Benefits.

a-f. Not applicable.

#### 2. Brokerage for Client Referrals.

a. Not applicable.

b. Not applicable.

#### 3. Directed Brokerage.

a. ABR currently recommends clients to open separately managed accounts with Interactive Brokers and use Interactive Brokers as the broker. A client may request a different custodian/broker relationship, which ABR may be able to accommodate in its sole discretion. Not all advisers require their clients to direct brokerage. By directing brokerage, ABR may be unable to achieve the most favorable execution of client transactions, which may cost clients more money.

b. Not applicable.

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### B. Aggregation.

Unless a Client has imposed a particular restriction that is applicable to an investment, ABR trades Clients' separately managed account assets proportionately based upon the respective net assets of each Client, the limitations imposed by each Client with respect to investment type and risk, and the investments to be purchased or sold are aggregated in order to obtain superior execution and/or lower brokerage expenses, as well as trade all separately managed accounts *pari passu*. In such instances, allocation of prices, as well as expenses incurred in the transaction, shall be made in a pre-allocated manner through the qualified custodian's systems.

## **Item 13: Review of Accounts**

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### **A. Periodic Reviews**

Account reviews are periodically performed by Taylor Lukof, ABR's Managing Member, CIO, and CCO, when appropriate.

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### **B. Review Triggers**

Other conditions that may trigger a review are changes in applicable laws, new investment information, and changes in a particular Client's circumstances.

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### **C. Regular Reports**

Clients will receive written reports and confirmations of all financial transactions directly from the broker-dealer or qualified custodian for the client accounts. Depending upon a client's request, ABR may also provide a report to each client that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Any such report is issued as an accommodation only and the client should rely upon the reports issued by the broker-dealer/qualified custodian of the assets.

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

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### **A. Referrals**

Not applicable.

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### **B. Other Compensation**

ABR currently compensates a third party for client referrals by paying them a percentage of revenue earned from any such referrals. ABR may enter into additional relationships in the future.

## **Item 15: Custody**

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### **Account Statements**

The client's assets are maintained by a qualified custodian. The qualified custodian is authorized by the client to deduct and direct payment of ABR's performance-based fee and management fee directly from the client's custodial account. Each client will receive statements at least quarterly directly from the custodian. Each client should carefully review these statements. In the event that a client also receives a copy of the custodial account statement from ABR, each client is urged to compare the account statement they receive from the qualified custodian with the copy of the account statement they receive from ABR, and to rely solely on the account statement received from the qualified custodian.

## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading**

ABR accepts discretionary authority to manage investments on behalf of its Clients. ABR has the authority to determine, without obtaining specific Client consent, the investments to be bought or sold, and the amount of the investments to be bought or sold on behalf of Clients. However, some managed account Clients limit this discretionary authority and have imposed restrictions on (i) certain types of investments and (ii) maximum positions and exposure created by such Client's investment holdings.

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### **Limited Power of Attorney**

Before ABR assumes discretionary authority, clients sign a limited power of attorney by execution of the Interactive Brokers account agreement and by entering into an investment management agreement that delegates discretionary authority to ABR.



## **Item 17: Voting Client Securities**

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### **A. Proxy Voting**

ABR does not vote client proxies for client accounts. Therefore, although ABR may provide investment advisory services relative to client investment assets, ABR's clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of investments beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. ABR and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. A client may contact ABR with questions regarding a particular solicitation.

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### **B. Not applicable.**

## **Item 18: Financial Information**

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### **A. Balance Sheet**

ABR has not included a balance sheet for its most recent fiscal year because ABR does not require prepayment of fees of more than \$1,200 for any Client, six (6) months or more in advance.

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### **B. Financial Condition**

ABR does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients.

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### **C. Bankruptcy Petition**

ABR has not been the subject of a bankruptcy petition at any time during the past ten years.

