

Form ADV Part 2A: Firm Brochure

Clover Partners, L.P.

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This brochure provides information about the qualifications and business practices of Clover Partners, L.P. If you have any questions about the contents of this brochure, please contact us at 214-273-5200. 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.

Additional information about Clover Partners, L.P. also is available on the SEC's website www.adviserinfo.sec.gov (click on the link, select "investment adviser firm" and type in our firm name). Results will provide you both Part 1 and 2 of our Form ADV.

If you would like another copy of this brochure, please download it from the SEC's website as indicated above or you may contact our Chief Compliance Officer, Samuel S. Moore, at 214-273-5200 or compliance@cloverpartners.com.

We are a registered investment adviser with the United States Securities and Exchange Commission. Our registration as an investment adviser does not imply any level of skill or training.

Material Changes

Clover Partners, L.P. is updating this Form ADV Part 2 to reflect certain changes in our business. Though we note certain material changes below that have occurred since our last annual update filed on March 31, 2014, we recommend that you read this ADV Part 2 in its entirety.

Material Changes in this Brochure:

Since we last updated our ADV, there have been no material changes in 2014.

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1. Advisory Business

Clover Partners, L.P., founded in 1999, is an investment services firm specializing in discretionary investment management for private investment funds. Currently, our sole client is MHC Mutual Conversion Fund, L.P., a pooled investment vehicle affiliated with our firm. The principal owner of our firm is Michael C. Mewhinney.

In providing our advisory services, we specialize in investing our client's assets in financial service companies, with a particular focus on investing in mutual savings banks. Our fundamental investment strategy emphasizes owning undervalued securities and holding them until we believe they have reached their fair value.

Our firm tailors our advisory services to the individual needs and specified investment mandates of our client. Our portfolio managers adhere to the investment strategy set forth in our client's private placement memorandum. We do not tailor our advisory services to the individual needs of investors in our client and those investors generally may not impose restrictions on investing in certain securities or types of securities.

Our firm does not participate in any wrap fee programs.

Our firm currently manages, on a discretionary basis, one account totaling \$201,905,707 in regulatory assets under management as of December 31, 2014. We do not manage any client assets on a non-discretionary basis.

2. Fees and Compensation

Our firm typically receives compensation from our client based on both the percentage of assets we manage and on performance achieved for the client's account. We structure our performance-based compensation as profit-sharing allocations through interests that we hold in the client. For investors in our client, our fees are generally not negotiable except under certain limited circumstances when we enter into a side letter with an investor in our client. Our employees and certain of their affiliates, however, may not pay any performance-based compensation or asset-based fees or may pay reduced amounts of performance-based compensation or asset-based fees.

Asset-Based Fee

We annually charge our client an asset-based fee of 1.0% of each investor's capital account balance. We base this fee on the market value of each investor's account on the last business day of the previous month. We deduct this fee from each investor's account at the beginning of each month. Although we charge this fee in advance, because the investors in our client can only withdraw money on the last day of a quarter (or, in other words, at the end of a month), they will not pay a management fee in excess of what they owe.

Performance-Based Compensation

Annually, we are allocated 20% of each investor's share of our client's net profits for the year, subject to a loss carryforward requirement or cumulative "high water mark." A high water mark ensures that we only receive performance compensation when an investor's account value for the year has recovered any losses from prior years. This performance-based compensation is allocated to us from each investor's account at the end of each year, or whenever an investor makes a withdrawal, but only on the withdrawn amount.

Other Fees and Expenses

In addition to the asset-based fees and performance-based compensation we describe above, our client bears all costs and expenses directly related to its investment program, including expenses related to:

- proxies,
- underwriting and private placements,
- brokerage commissions,
- interest on debit balances or borrowings,
- custody fees and
- any withholding or transfer taxes.

It also bears all out-of-pocket costs related to its administration and operation, including:

- accounting, audit and legal expenses,
- costs of any litigation or investigation involving its activities,
- costs associated with reporting and providing information to existing and prospective investors,
- organizational expenses and
- expenses incurred in the offering of its interests.

We may choose to absorb some of the expenses we describe above on behalf of our client. In addition, the fees and expenses we have enumerated above may not contemplate every type of fee or expense our client may incur.

None of our employees receives (directly or indirectly) any compensation for the sale of securities or other investment products.

3. Performance-Based Fees and Side-By-Side Management

We receive performance-based compensation from our client. Please see Section 2: Fees and Compensation for a more detailed explanation of the performance-based compensation we receive. We do not manage any funds or accounts that do not pay performance-based compensation. The existence of the performance-based compensation may create an incentive for our firm to make riskier or more speculative investments on behalf of our client.

4. Types of Clients

Investors in our investment fund client typically include:

- Individuals,
- Pension and profit sharing plans,
- Trusts, estates or charitable organizations,
- Partnerships and
- Corporations.

Investment Requirements

To invest in our client, we generally require a minimum investment of \$1,000,000. To comply with Securities and Exchange Commission regulation, we require that U.S. investors in our client qualify as both accredited investors and qualified clients. Accredited investors are generally (i) individuals with \$1,000,000 of net worth (excluding their primary residence) or who have made \$200,000 in each of the two previous years (or \$300,000 joint income with one's spouse) or (ii) entities with assets totaling over \$5,000,000. Qualified clients are individuals or entities with over \$2,000,000 of net worth. Non-U.S. investors are not subject to any particular wealth requirements.

This firm brochure is not an offer to invest in our investment fund client.

5. Methods of Analysis, Investment Strategies and Risk of Loss

Our firm's primary objective is to achieve long-term capital appreciation while minimizing risk. Our investment program consists primarily of applying a value strategy that emphasizes owning securities that we believe are undervalued and holding them until they reach their fair value.

We tend to concentrate our client's assets in securities issued by financial services companies and, particularly, in securities issued by mutual savings banks. Specifically,

we attempt to identify mutual savings banks that we believe have the most potential to thrive. We then invest along their conversion lifecycles from partial public ownership to a fully public company. Some mutual savings banks may effect their conversion by creating a mutual holding company, which retains more than 50% of its shares outstanding.

We maintain a proprietary database of all mutual holdings companies. We utilize this database to identify attractive investments based on any of the following criteria, among others:

- inside ownership as a percentage of total shares outstanding,
- the ages of the executive officers, particularly the chief executive officer,
- valuation,
- potential for return,
- franchise value, including state and country demographics and projected population growth,
- comparable acquisition multiples and
- potential acquisition targets coupled with merger and acquisition analysis.

Despite our methodologies, the possibility exists that we may not correctly predict or evaluate the future performance of certain securities. Investing in any securities involves a risk of loss that our client or any of the investors in our client must be prepared to bear.

Certain risks associated with an investment in our client include:

- *Investment Judgment and Market Risk:* The success of our investment programs depends, in large part, on correctly evaluating future price movements of potential investments. We cannot guarantee that we will be able to accurately predict these price movements and that our investment programs will be successful.
- *Investment and Trading Risk:* Investments in securities and other financial instruments involve a degree of risk that the entire investment may be lost. The use of short sales and option trading can, in certain circumstances, substantially exacerbate the impact of unfavorable price movements on our client's investments. Also, changes in the general level of interest rates may negatively affect our client's results.
- *Financial Markets and Regulatory Change:* The instability pervading global financial markets has heightened the risks associated with the investment activities and operations of hedge funds, including those resulting from a reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which we work.

Market disruptions over the recent years and the increase in capital being allocated to hedge funds and other alternative investment vehicles have led to increased scrutiny and regulation over the hedge fund and asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to our client, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to our client's interests.

Although our client may authorize us to invest in a wider variety of securities, the following is a description of the various strategies that we currently utilize in advising our client and some important risks associated with each strategy. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in our investment strategies.

- *Investments in Financial Institutions, Specifically Mutual Savings Banks:* We primarily effect our investment strategy through investing our client's assets in publicly-traded mutual savings banks. Publicly-traded mutual savings banks are banks that were, at one time, owned by the bank's depositors, instead of being owned by private or public shareholders, but have since converted to a stock form of ownership. Our client's investments in mutual savings banks depend on the banks' abilities to grow and survive as publicly-traded companies. In particular, the success of a mutual savings bank may depend on its ability to make loans (that is, attract borrowers) and attract depositors. In addition, mutual savings banks may hold unperforming loans, particularly mortgage loans, under which borrowers are not making their loan payments. Any inability to collect on their loans may affect the performance of mutual savings banks in which we invest.

Financial institutions operate in a heavily regulated environment. The cost of compliance with regulatory requirements could adversely affect a mutual savings bank's ability to operate profitably. Changes in regulation and oversight, including in the form of changes to statutes, regulations or regulatory policies or changes in interpretation or implementation of statutes, regulations or policies, could affect the service and products that banks offer, increase their operating expenses, increase compliance challenges and otherwise adversely impact their financial performance and condition. Financial institutions are also particularly sensitive to movements in interest rates. All of these factors may contribute to the volatility of our client's holdings.

- *Equity Securities:* We buy, on our client's behalf, equity securities we believe to be undervalued, seeking to profit from both security selection and thematic sector or market timing decisions. The value of these investments will generally vary with their issuer's performance and movements in the equity markets. Consequently, our client may suffer losses if we invest their assets in equity instruments of issuers whose performance diverges from our expectations.
- *Investing in Undervalued Securities:* A primary aspect of our investment strategy involves making long investments in securities that we believe are undervalued.

However, identifying investment opportunities in undervalued securities is difficult and we cannot assure our client that we will be able to recognize or acquire undervalued securities. While investments in undervalued securities offer our client the opportunity for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses.

In addition, our client may need to sell securities that do not end up being undervalued at a substantial loss. Our client may also need to sell securities before they reach their anticipated values in order to fulfill withdrawal requests or pay certain fees or taxes. Often times, our client must hold undervalued securities for a substantial period of time before realizing their anticipated value. During this period, a portion of our client's capital is committed to the undervalued securities it has purchased, possibly preventing it from investing in other opportunities.

- *Short Selling:* Short selling of securities occurs when we borrow securities, promising to buy them at a later date. If the price drops, we can buy the securities at the lower price and make a profit on the difference. If the price of the securities rises, we have to buy them back at the higher price, and the investment loses money. Buying the securities can itself cause the price of the securities to rise further which would exacerbate the potential for loss.
- *Concentration of Investments:* Although we typically spread our client's capital among many investments, there are times when we may determine that our client should hold a few, relatively large investments in relation to our client's capital. Consequently, the success of our client could be substantially adversely affected by the unfavorable performance of a single investment. In any event, investments on behalf of our client are concentrated in the securities of publicly-traded mutual savings banks and other financial institutions.
- *Short-Term Trades:* Short-term trading involves a certain degree of risk. Short-term trading denies our client the strategy of minimizing risk by holding a position over a longer time period. In addition, frequent trading results in high turnover and brokerage commission expenses which can adversely affect our client's performance if its trading is not sufficiently profitable.
- *Borrowing/Leverage:* Although not typically a major component of our client's strategies, we may borrow against the assets of our client when we believe that the proceeds from doing so will exceed the interest paid on the borrowing. Borrowing involves risk to our client because the interest on the borrowed amount may be greater than the income from or increase in the value of the securities purchased with the borrowed amount. Also, there is always a possibility that the value of the securities purchased with the borrowed amount can decline below the amount borrowed. Generally, borrowing-type techniques used to increase potential returns are all forms of leverage.

Any investment profits made with the proceeds from borrowings in excess of interest paid on the borrowings will cause the income and value of our client to be greater

than would otherwise be the case. On the other hand, if the value of the additional securities purchased with the borrowed money does not increase enough to cover the interest paid on the borrowings, then the income and value of our client will be less than would otherwise be the case.

- *Margin Transactions:* To increase its buying power, sometimes we engage in margin transactions on behalf of our client. Trading on margin is a form of leverage. Specifically, when we trade on margin, our client is borrowing from a broker to purchase more securities than it otherwise would be able to with its initial cash investment. The securities purchased on margin serve as collateral for the broker's loan. Trading on margin is risky because it not only can increase gains, but also can amplify losses to the point where a client may lose more than its initial investment.
- *Hedging Transactions:* We may employ hedging techniques, seeking to reduce a portfolio's vulnerability to various risks. Hedging entails determining certain risks in one's portfolio and making trades seeking to offset those risks. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of these positions decline, but rather it establishes other positions designed to gain from those same developments, moderating the decline in the portfolio positions' value. On the other hand, hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase.

The success of our client's hedging strategy is subject to our ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. The risk exists that we may not always choose the right variable to hedge against. Also, it is important to note that we may not always choose to hedge against, or might not anticipate, certain risks, and, our client's portfolios will always be exposed to certain risks that cannot be hedged.

Loss of the ability to hedge, from either a change in the law or an inability to borrow a security when necessary, may result in losses to our client from the resulting unhedged exposure or depreciation in the retained instrument's value.

Other investment strategies that we employ can be used as hedging techniques, such as arbitrage, options and short selling.

- *Arbitrage:* We may, occasionally, employ an arbitrage strategy, which contemplates buying or selling an investment and simultaneously taking an offsetting position in options in the same or a related investment to profit from a difference in the price. If the price relationship between the two positions remains constant, our client will not experience a gain or a loss. However, a risk exists that the price differential between the positions could change unfavorably, causing a loss to our client.
- *Derivatives:* At times, we may invest in options and/or warrants, which are types of derivative contracts, on behalf of our client. A derivative is a financial instrument that

is a contract between two parties, the value of which is linked to another security or commodity, or an “underlying asset.” Most often the options in which we may trade are over-the-counter, meaning they are privately negotiated between two parties, as opposed to being traded on an exchange. Over-the-counter transactions typically involve significant transaction costs. In addition, the risk of nonperformance by opposing parties on over-the-counter derivatives is typically greater than the risk of nonperformance on exchange-traded derivatives. Also, derivative instruments not traded on exchanges are not subject to the same level of government regulation as are exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with over-the-counter derivative transactions.

Any derivative contract typically involves leverage, as it exposes our client to potential gain or loss from a change in the price of an underlying asset in an amount that exceeds the amount of cash or assets required to establish or maintain the derivative contract. Consequently, an adverse change in the price of the underlying asset can result in a loss to our client that is larger than would have resulted from an investment that did not involve the use of leverage inherent in a derivative contract. Finally, derivative contracts are risky because, ultimately, their success depends in part on the counterparty’s financial condition; that is, the counterparty’s ability to turn over the cash flow it promised.

- *Options:* There are certain risks associated with the sale and purchase of options. We may, on our client’s behalf, invest in call and/or put options. Call options are the right to buy a security at a certain price within a defined time period. Put options are the right to sell a security at a certain price within a defined time period. A buyer of either type of option assumes the risk of losing its entire investment in the option. A buyer of a call option risks losing its investment if the particular security never reaches the designated price within the set time period. A buyer of a put option risks losing its investment if the particular security does not decline enough to reach the designated price within the set time period.
- *Option Writing:* Our client may write (sell) call and put options on securities. Our client receives a premium from writing a call or put option, which increases the client’s return if the option expires unexercised or is closed out or exercised at a net profit. When our client writes a call option, it gives up the opportunity to profit from any increase in the price of a security above the exercise price of the option; when it writes a put option, our client takes the risk that it will be required to purchase a security from the option holder at a price above the current market price of the security.
- *Warrants:* Warrants are derivative instruments that entitle the holder to buy the underlying stock of the issuing company at a fixed exercise price until an expiration date. Warrants are similar to options, except that warrants are issued by the issuing company (instead of a third party), are typically attached to bonds or preferred stock and usually have longer exercise windows. Warrants typically can be detached from bonds or stock and sold separately. The values of warrants

do not necessarily change with the values of the underlying stock and warrants cease to have value if they are not exercised prior to their expiration dates.

- *Index Options:* We may utilize exchange-traded equity index options and/or over-the-counter index options. An index option is a call or put option on a financial index. These indices can reflect the characteristics of either the broad equity market as a whole or specific industry sectors within the marketplace. Index options enable our client to gain exposure to the market as a whole or to specific segments of the market with one trading decision and frequently with one transaction. To obtain the same level of diversification using individual stock issues or individual option classes, numerous decisions and transactions would be required. Employing index options can defray both the costs and complexities of doing so.

Risks associated with investing in index options include possible default by the opposing party to the transaction, illiquidity (especially for those traded over-the-counter) and, to the extent our predictions as to certain market movements are incorrect, the risk that the use of index options could result in greater losses to our client than if we had not utilized them.

- *Foreign Securities:* While investing in foreign securities is not a principal focus of our investment strategies, we occasionally buy and sell foreign securities for our client's account. Investing in foreign securities involves certain risk factors not typically associated with investing in U.S. securities, such as fluctuation between exchange rates and the costs of converting from one currency to another. In addition, there may not be much information available regarding foreign securities because foreign companies and governments may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those of the U.S. There also might be a greater risk of political, social or economic instability and the possibility that foreign taxes may be imposed on our client's income. Additionally, when investing in foreign bonds, there is always a risk that the issuer will default and be unable to pay the interest and/or principal payments due on the bonds, as the financial stability of foreign issuers may be more precarious than that of U.S. issuers.

Finally, non-U.S. markets have different clearance and settlement procedures which, in some markets, have difficulty keeping pace with large volumes of transactions. This can lead to substantial delays and settlement failures that could adversely affect our client's performance.

As previously mentioned, our client invests primarily in financial institutions with an emphasis on mutual savings banks. Consequently, our client's success is largely dependent upon the success of the financial institution sector and specifically, on the financial companies in which it invests. Please see above for the risks associated with investing in mutual savings banks and other financial institutions.

6. Disciplinary Information

Neither our firm, nor any of our partners, officers or principals has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court.

Neither our firm, nor any of our partners, officers or principals has been involved in any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our firm, nor any of our partners, officers or principals has been involved in any self-regulatory organization proceedings.

7. Other Financial Industry Activities and Affiliations

Neither our firm, nor any of our partners, officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of our partners, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or is an associated person of any of the above.

Relationships with Pooled Investment Vehicles

In addition to serving as its investment adviser, our firm also serves as the general partner to our pooled investment fund client, MHC Mutual Conversion Fund, L.P. Because we control MHC Mutual Conversion Fund, L.P. as its general partner, there was no independent negotiation of our fees or other terms of our client's partnership agreement. Although this arrangement may give us heightened control and discretion over MHC Mutual Conversion Fund, L.P., we manage any potential conflicts of interest by adhering to the investment strategy and investment allocation policy discussed in its offering document.

Relationships with Other Investment Advisers

Our firm does not have a relationship with any other investment advisors.

8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Our firm has adopted a written Code of Ethics in accordance with Securities and Exchange Commission requirements that is designed to address and avoid potential conflicts of interest. Our Code of Ethics reinforces that our firm and our employees have a fiduciary duty to our client and the investors in our client and that we and our employees must abide by all applicable laws and regulations at all times. It contains detailed rules concerning insider trading, treatment of confidential information and personal securities transactions.

Our Code of Ethics requires all of our employees to submit quarterly personal trading activity reports and annual personal securities holdings reports. Each quarter, our Compliance Officer reviews a sample of these reports to confirm that employees have obtained the requisite pre-clearance for their personal trading activities and complied with our personal trading restrictions (which we describe in more detail below).

We provide a copy of our Code of Ethics to our client or any investor in our client, or any prospective client or prospective investor, that requests one.

Neither our firm nor any of our employees recommends to our client, nor do we or our employees buy or sell for our client's account, securities in which we or our employees have a material financial interest. We may, however, on occasion in the future when we have more than one client, determine that it is in line with our clients' investment strategy and in the best interests of our clients to have one client purchase a security from another client that is selling the same security, otherwise known as a "cross trade." Cross trades may create conflicts of interest because they are not independently negotiated and may provide an opportunity for an investment adviser to collect related commissions. However, we would engage brokers to effect our clients' cross trades and, therefore, the trades would be executed on market terms and we would not receive any commissions or fees in connection with effecting cross trades between our clients.

Our employees may personally invest in the same securities, or related securities, in which we invest for our client. Also, under limited circumstances, our employees may trade securities for their personal accounts at or about the same time that we buy or sell the same securities for our client. This could create a conflict of interest if our employees receive more favorable execution prices than does our client because our employees' trades might have driven up the market prices of target securities. However, we mitigate this conflict by setting forth a number of restrictions upon the personal trading activities of our employees.

First, employees must obtain pre-clearance from our Compliance Officer before buying or selling any publicly-traded security for their personal accounts, subject to a few exceptions (for example, when an external adviser has complete discretionary authority over an employee's account or when trades are made through an automatic stock option plan). In addition, employees must also receive prior approval from our Compliance Officer before personally acquiring any securities in an initial public offering or a private placement. Finally, employees are generally not allowed to buy or sell any security within 48 hours before or after our firm buys or sells the same security on behalf of our client, unless our client does not currently hold the security and the employee obtains the prior written approval of the Compliance Officer. Our Compliance Officer has the discretion to waive the 48-hour restricted period, but may only do so if he believes that granting a waiver would not compromise our client's interests.

As we previously mentioned, our Compliance Officer reviews a selection of our employees' personal securities transaction and holdings reports to monitor compliance with our personal securities trading policies.

The personal trading policies and procedures we have described above apply not only to employees and their personal accounts but to certain of their immediate family members and their accounts as well.

9. Brokerage Practices

Our firm strives to obtain best execution of securities trades for our client. In our opinion, best execution does not necessarily equate to the lowest possible commission cost, but rather, whether the transaction represents the best qualitative execution—a combination of price and execution. Attempting to achieve best qualitative execution, when selecting broker-dealers, we engage in a qualitative assessment in which we consider the full range and quality of a broker-dealer’s services, such as:

- our knowledge of negotiated commission rates currently available and other transaction costs,
- the nature of the security being traded,
- the size of the transaction,
- the desired timing of the trade,
- the activity existing and expected in the market for the particular security,
- a broker-dealer’s ability to maintain confidentiality,
- a broker-dealer’s execution rate,
- a broker-dealer’s clearance and settlement capabilities,
- our knowledge of the financial stability of a broker-dealer,
- the quality, comprehensiveness and frequency of available research services and other services a broker-dealer may provide that we consider to be of value and
- our knowledge of actual or apparent operational problems of a broker-dealer.

Recognizing the value of these factors, we may cause our client to pay commissions or prices that are greater than those another broker-dealer might charge.

In addition, our employees occasionally participate in “capital introduction” events sponsored by broker-dealers. Capital introduction events are events designed to bring asset managers together with investors in one forum. While we do not commit to allocate certain brokerage business or otherwise compensate broker-dealers for organizing these events or for any successful investor relationships we make at these events, we may consider potential invitations to capital introduction events when selecting broker-dealers to execute our client’s trades, subject to our duty to seek best qualitative execution.

Significantly, in some instances, we may decide to execute our client's orders through a low cost alternative trading system.

We Utilize Research and Other Soft Dollar Benefits. When we believe that more than one broker or dealer is capable of providing the best combination of price and execution with respect to a particular transaction, our firm may pay higher prices to buy securities from, or accept lower prices for the sale of securities to, brokerage firms that provide us with investment and research information. This investment and research information is often referred to as "soft dollar" benefits. The research products and services that we generally obtain from broker-dealers include both products and services generated internally by a broker-dealer's own research staff (such as research reports that its employees prepare) and products and services obtained by a broker-dealer from a third party research firm (such as Bloomberg). Specifically, the research products and services that broker-dealers provide us with include:

- research reports and analyses concerning specific issuers, industries or sectors,
- market, financial and economic forecasts and other data,
- pricing services,
- subscriptions to financial publications, such as SNL Financial, and
- services of economists and other consultants.

We also utilize soft dollars to pay for, in whole or in part:

- hardware,
- portfolio management software,
- trade order management systems,
- databases with news and financial information, such as Bloomberg, and
- telecommunications services, equipment and facilities (such as network administration and monitoring of our computer infrastructure).

We use these research services and products only in connection with our advisory services for the account that "paid" for them. If in the future, research services and products benefit multiple clients, we will allocate soft dollar benefits to each client account in proportion to the soft dollar credits each client generates.

Our Use of Soft Dollar Benefits Does Not Always Fall Within the Safe Harbor. The Securities and Exchange Commission created a safe harbor that protects financial advisers from liability for a possible breach of fiduciary duty to their clients when advisers engage in soft dollar arrangements for certain services at other than the lowest

transaction costs. The safe harbor protects advisers if they make a good faith determination that the amount of the commission paid was reasonable in relation to the value of the services received. Investment advisers can choose to operate outside of the safe harbor, in which case they must be able to defend the payment of excess commissions for non-qualifying services on a fiduciary basis. Although we only use soft dollar benefits for costs and expenses to the extent they are reasonably related to the investment decision-making process, we may use soft dollars outside of the safe harbor when advising our client.

The Use of Soft Dollars Can Create a Conflict of Interest. Using client transactions to obtain research and other benefits creates incentives that result in conflicts of interest between advisers and their clients. When we use client markups or markdowns to obtain research products and services, our firm receives a benefit because we do not have to produce or pay for the research products and services. The availability of these benefits may influence us to select one broker-dealer rather than another to perform services for our client, based on our interest in receiving the products and services instead of on our client's interest in receiving the best execution prices. Obtaining these benefits may cause our client to pay higher fees than those charged by other broker-dealers.

The use of soft dollars to obtain research services creates a conflict of interest between our firm and our client because our client pays for products and services that are not exclusively for its benefit and that may be primarily or exclusively for the benefit of our firm. To the extent that we are able to acquire these products and services without expending our own resources, our use of soft dollar benefits tends to increase our profitability.

We Use Particular Procedures to Direct Transactions in Return for Soft Dollars. We direct our client's transactions to broker-dealers based on best qualitative execution, as we explain above. However, we may have an incentive to execute our client's trades through certain broker-dealers because we receive soft dollar credits for our client's trades made through those broker-dealers.

We Do Not Consider Referrals in Selecting or Recommending Broker-Dealers.

Our Client Does Not Direct Brokerage. Our firm does not recommend, request or require that our client, nor do we permit our client to, direct us to execute transactions through a specified broker-dealer. We do, however, engage in soft dollar arrangements with broker-dealers as we describe above.

10. Review of Accounts

Our Portfolio Manager, John A. Guerry, reviews our client's account. In reviewing our client's account, Mr. Guerry monitors (1) our adherence to our client's investment objective, policies and restrictions and (2) the reasonableness of brokerage commissions that our client incurs in light of our best qualitative execution policy (see Section 9). In addition, Mr. Guerry periodically reviews the general level of brokerage commissions that our client pays.

We may conduct additional reviews if requested by our client or if we believe that a trade, allocation, or operational error may have occurred.

Our firm provides quarterly written investment reports to our pooled investment fund client's investors that contain information such as valuations, realized and unrealized capital gains and losses, investment income, performance information and management fees. We also provide them with written quarterly newsletters that summarize the previous quarter's happenings and what our investment personnel predict and know about the mutual savings banks sector. In addition, we provide these investors with annual written reports containing audited financial statements and tax information. Some investors may receive additional or more frequent information on a case-by-case basis.

11. Client Referrals and Other Compensation

Our firm does not, nor do any employees of our firm, receive any economic benefit from non-clients for providing advisory services to our client. However, in exchange for placing our client's assets in the custody of our prime broker, we do receive some economic benefits through our prime brokerage arrangement, such as portfolio management software, access to our prime broker's trading desk and capital introduction services.

From time to time, we enter into arrangements with third parties to introduce us to potential investors for our client. Any referral fees we may pay to a third party for successful introductions will be borne solely by our firm, and not by our client or its investors.

12. Custody

While it is our firm's practice not to accept or maintain physical possession of our client's assets, we may be deemed to have custody of client assets under Rule 206(4)-2 of the Investment Advisers Act of 1940 because we have the authority to access client funds and deduct fees and expenses from client accounts.

In order to comply with Rule 206(4)-2, we utilize the services of a qualified custodian (as defined under Rule 206(4)-2) to hold all assets of our client. We also ensure that the qualified custodian maintains these funds in accounts that contain only our client's funds and securities, under the client's name. In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit our client at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all investors in our client within 120 days after the end of its fiscal year.

13. Investment Discretion

Our firm maintains discretionary authority to manage our client's securities account. Essentially, this means that, on behalf of our client, we have the authority to determine, without obtaining specific client consent, which securities to buy or sell and the amount

of securities to buy or sell, the brokers through which we effect trades and the commission rates at which we effect trades. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in our client's private placement memorandum and/or applicable agreement with our firm. These documents cover matters such as the types and amounts of securities of which our client's portfolio will consist, including position limits, and the degree of risk assumed by our client's portfolio, including leverage limits.

Assuming Authority

Before accepting their subscriptions for interests, we provide all investors in our client with a private placement memorandum that sets forth, in detail, our client's investment strategy and program. By completing our subscription documents to acquire an interest in our pooled investment fund, investors give us complete authority to manage their investments in accordance with the private placement memorandum they each received.

14. Voting Client Securities

Proxy Voting Policies and Procedures

Because our client has delegated the power to vote its securities to our firm, we have implemented proxy voting policies and procedures designed to ensure that we vote proxies in the best interest of our client. In determining how to vote a particular proxy, we study each proxy's materials and any other materials that may be necessary or beneficial to voting. We generally vote in favor of matters that:

- follow an agreeable corporate strategic direction,
- support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders or
- present compensation plans that are commensurate with enhanced manager performance and common market practices.

However, we cast all proxy votes on a case-by case basis.

Our client cannot direct our proxy votes.

Potential Conflicts of Interest

If there are any potential conflicts of interest in connection with voting a client proxy, it is our policy to resolve the conflict before voting the proxy. If a potential conflict of interest exists, we either disclose the conflict to the client and obtain its consent to vote or take other steps designed to ensure that our decision to vote the proxy is based on our determination of the client's best interest and was not affected by the potential conflict.

Recordkeeping

Our firm maintains the following records relating to proxy voting:

- All proxy statements and materials we receive on behalf of our client.
- All proxy votes we make on behalf of our client.
- All documents that were material to a proxy vote.
- All written requests from our client regarding its proxy voting history.
- All written and oral responses to our client's requests.

By contacting Samuel S. Moore at the telephone number on the cover of this brochure, our client or any of the investors in our client can obtain (1) a copy of our proxy voting policies and procedures and (2) information concerning proxy votes on its behalf.

15. Financial Information

We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our client.

Clover Partners, L.P. has never been the subject of a bankruptcy petition.