

**INVESTMENT ADVISER BROCHURE**

**SKYLANDS CAPITAL, LLC**

**1200 North Mayfair Road, Suite 250  
Milwaukee, WI 53226**

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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Skylands Capital, LLC (“Skylands”). If you have any questions about the contents of this Brochure, please contact us at (414) 256-3380. Skylands website address is [www.skylandscapital.com](http://www.skylandscapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

Skylands is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

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

## **MATERIAL CHANGES**

Skylands filed its most recent Form ADV Part 2 on August 4, 2014. This annual amendment updates the description of the business practices of Skylands, including with respect to its proxy voting process.

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## ADVISORY BUSINESS

Skylands Capital, LLC (“Skylands” or the “Adviser”) is registered with the U.S. Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and is a Wisconsin limited liability company. Skylands provides investment advisory services to separate accounts and private investment funds.

The Adviser furnishes investment supervisory services to a number of proprietary domestic and foreign private investment companies or hedge funds (each a “Fund” and collectively, the “Funds”) that are organized as limited liability companies or other business entities. The Adviser also manages accounts for high net worth individuals, corporations or other business entities, trusts, estates, charitable institutions and pension and profit sharing plans (“Separate Account Clients”). The Adviser serves as a sub-investment manager to the Perinvest (Lux) SICAV - Harbour US Equity Fund, a Luxembourg-based UCITS fund (the “Sub-Advised Fund”).

The Adviser provides such services on a discretionary basis (*i.e.*, the Adviser makes specific investment decisions for a client without first obtaining the client’s approval). The Adviser manages the assets of each Fund and the Sub-Advised Fund in compliance with each Fund’s investment objectives and in accordance with the terms of its governing documents. Governing documents include confidential offering circulars, prospectuses, operating agreements, investment advisory agreements and sub-investment management agreements. The Adviser manages Separate Account Client assets in accordance with the investment objectives and restrictions agreed upon per the investment guidelines found in the investment advisory agreement.

The Adviser currently provides investment advisory services or sub-investment advisory services to the Sub-Advised Fund and the following Funds, each of which is intended for a distinct class of investors:

1. Skylands Special Investment LLC (“Special”), a Wisconsin limited liability company;
2. Skylands Special Investment II LLC (“Special II”), a Wisconsin limited liability company;
3. Skylands Quest LLC (“Quest”), a Wisconsin limited liability company; and
4. Harbour Holdings Ltd. (“Harbour”), a Bermuda exempted company.

For the domestic Funds, the Adviser also serves as the manager of the limited liability company. The Adviser may serve as investment adviser and/or manager to similar entities in the future. The Funds are speculative investment vehicles that involve a high degree of risk. These types of investment are suitable only for sophisticated investors who are able to assume the risks involved.

As of December, 31, 2014, Skylands managed regulatory client assets of \$1,036.8 million on a discretionary basis. Skylands commenced operations in 2004 and is owned by Charles A. Paquelet.

## **FEES AND COMPENSATION**

In general, for advisory services provided to the Funds and the Sub-Advised Fund, Skylands receives a management fee and a performance-based fee or allocation, and for services provided to Separate Account Clients, Skylands receives a graduated asset management fee and, for certain of such clients, a performance-based fee. Investors also bear certain investment expenses.

### **Funds**

Each Fund has entered into a separate investment advisory agreement with the Adviser pursuant to which the Adviser receives (1) a management fee and (2) a performance-based fee or allocation. The management fee of 1% per year is generally payable monthly (Harbour) or quarterly (the other Funds) in arrears and is based on the end of month net assets of the Fund. The performance fee or allocation is generally 20% of the net profit each year of the Fund's series of shares or the net appreciation of each investor's capital account, depending on the terms of the particular Fund's offering documents. The performance fee and allocation are subject to a high water mark and the Adviser does not take a performance fee or allocation unless all losses from previous years have been recouped. Any performance fees or allocations charged to the Funds comply with the requirements of Section 205 of the Advisers Act and the rules thereunder or state law equivalents, to the extent applicable. Management fees and any performance fees are accrued and deducted from the value of the fund's assets when determining Harbour's net asset value. Management fees and performance allocations are deducted from an investor's capital account when reporting an investor's balance in Special, Special II or Quest. The performance allocation is credited to Skylands' capital account at the end of the calendar year or upon full withdrawal by an investor.

The advisory agreements with each Fund are terminable by either the Adviser or the Fund, generally on prior written notice of at least 60 days (90 days in the case of Harbour). In the event of termination, the Adviser will receive payment of any accrued but unpaid fees. Termination by the client will not affect transactions the Adviser has initiated on the client's behalf prior to the effectiveness of the termination.

The Adviser may waive any part or all of any management fee or performance allocation for any member of a Fund. The Adviser currently intends to waive the management fee and any performance allocation with respect to its interests in the Funds and with respect to interests of certain of its employees and/or their family members.

In addition to the management fee and performance fee payable to Skylands, the Funds bear certain expenses as set forth in each Fund's operating agreement (or, in the case of Harbour, the investment advisory agreement). Such expenses generally include, but are not limited to, the following: accounting, auditing, tax and tax preparation expenses, legal fees and expenses, professional fees and expenses, investment-related expenses, brokerage fees and commissions, expenses relating to short sales (including dividend and stock borrowing expenses), clearing and settlement charges, bank service fees, margin and other interest expenses and transaction fees, blue sky and other corporate filing fees and expenses, insurance expenses, initial offering and organizational expenses, on-going offering expenses and payments for custody of the Company's

assets and for the performance of administrative services (the “Fund Expenses”). With respect to Quest and Special, the Fund Expenses are capped at 1.5% on an annual basis of the Fund’s average net asset value, except the Fund’s investment related expenses (*e.g.*, brokerage commissions, interest expenses and other transactions fees), management fees and performance allocation do not count toward the cap. In certain circumstances, Skylands may elect on behalf of a Fund investor to pay, or rebate through an offset of management fees, certain third-party administrative or custodial fees charged to such investor in connection with its investment in the Fund. Additional information regarding the Adviser’s selection of brokers and brokerage fees is set forth in “Brokerage Practices.”

### **Sub-Advised Fund**

Skylands has entered into a sub-investment management agreement with Perinvest (UK) Limited, the investment manager of the Sub-Advised Fund. The investment manager currently pays Skylands a quarterly management fee in arrears of 0.5% per annum of the net asset value of the Sub-Advised Fund and a performance fee equal to 15% of the net profits allocable to each share of the Sub-Advised Fund during the period. The management fee and performance fee may be renegotiated by Perinvest and Skylands. The performance fee is subject to a high water mark and cannot be paid until all prior losses are recouped. The sub-investment management agreement for the Sub-Advised Fund is terminable by either party upon not less than three months written notice. In the event of termination, Skylands will receive payment of any accrued but unpaid fees.

### **Separate Account Clients**

Fees charged to Separate Account Clients are negotiated, but the Adviser generally charges each Separate Account Client a management fee and may charge a performance-based fee.

With respect to management fees, the Adviser will generally charge a Separate Account Client a graduated asset management fee as follows:

Up to \$1 million of Assets	0.85% (annualized)
\$1 million to \$4 million of Assets	0.75% (annualized)
Over \$4 million of Assets	0.50% (annualized)

Separate Account Client management fees are generally charged quarterly, in advance, based on the valuation of the account at the beginning of the calendar quarter. The Adviser may also charge clients in arrears based on a different fee schedule on a case-by-case basis.

For Separate Account Clients paying a performance-based fee, such fee is negotiated with each Client on a case by case basis. Separate Account Clients paying performance-based fees tend to be those Separate Account Clients with less conservative portfolios and/or for which the Adviser employs investment strategies similar to those it employs on behalf of the Funds and the Sub-Advised Funds.

A Separate Account Client may choose to have such amounts deducted directly from its account or to have the Adviser send an invoice. If a Separate Account Client advisory agreement

is terminated prior to the end of any quarter, the client will receive a pro-rata refund of any prepaid management fees. If the management fee is charged in arrears, the client will be liable for any accrued but unpaid management fees. If a Separate Account Client advisory agreement is terminated prior to a calendar year end, a performance-based fee, if any, will be determined for such interim period and be payable by such client.

Further, the discretionary investment advisory agreement for separate accounts generally may be terminated by either party upon 30 days' written notice.

Separate Account Clients also bear the cost of any brokerage transaction fees and custodian charges.

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under "Fees and Compensation," Skylands receives a performance-based fee or allocation on net appreciation in the Funds and Sub-Advised Fund. Skylands does not advise Funds not subject to a performance-based fee or allocation, although it may waive such fees with respect to certain affiliated investors as described under "Fees and Compensation." Certain Separate Account Clients are not charged performance-based fees. While this practice could present a conflict of interest because Skylands may have an incentive to favor accounts for which it receives a performance-based fee, Skylands does not believe that there is an actual conflict because the Separate Account Clients that are not charged a performance-based fee generally have different investment strategies and/or frequently would not be permitted, pursuant to the investment guidelines in the Separate Account Clients' investment advisory agreements, to make the same investments as the Funds, Sub-Advised Fund and Separate Account Clients that are charged such fees. For example, the Funds generally take on much greater risk in order to produce higher potential returns. The Funds may use leverage, engage in futures and other derivative transactions, sell short, purchase and write put and call options, trade initial public offerings ("IPOs") and secondary public offerings, and have a higher portfolio turnover than the Separate Account Clients. Separate Account Clients generally have more conservative portfolios with longer term investment horizons. Such portfolios may include higher rated fixed income securities, more liquid common stocks, fewer or no derivatives and lower portfolio turnover.

### **TYPES OF CLIENTS**

Skylands provides investment advice to the Funds, the Sub-Advised Fund and Separate Account Clients. The Funds and the Sub-Advised Fund may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the Funds and the Sub-Advised Fund and the Separate Account Clients may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of Skylands and its affiliates.

Each Fund imposes certain minimum subscription amounts for investors to invest in a particular Fund. These requirements vary by Fund, are disclosed in each Fund's governing

documents and are subject to the discretion of a particular Fund's manager or Board of Directors, as appropriate, to accept lesser amounts. With respect to the Separate Account Clients, there is no required minimum investment amount.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **General**

The Adviser generally invests the assets of the Funds, the Sub-Advised Fund and the Separate Account Clients in a varied portfolio of common stocks of U.S.-based corporations. In addition, the Adviser may invest client assets in any eligible investment including, but not limited to fixed income securities, convertible securities, preferred stocks, equity options and foreign equity and debt securities. The Funds may engage in futures transactions, sell short, employ leverage, purchase illiquid securities, trade IPOs and secondary public offerings, write put and call options, and use various derivative instruments for hedging, managing risk or enhancing returns. Certain Separate Client Accounts may make similar investments subject to the investment guidelines dictated in their investment advisory agreement or as directed by the client. The Adviser attempts to avoid investment practices that create unrelated business taxable income in Quest as the fund is intended for tax-exempt U.S. investors.

When selecting companies to invest in, the Adviser generally looks at the company's stock valuation, liquidity, business model, growth prospects, and exposure to macroeconomic trends. The Adviser meets with executive management teams of issuers and industry experts in analyzing securities. The Adviser attends research conferences, reads third-party research reports, reviews information from third-party data bases and online services, and reviews annual reports, quarterly financial statements and press releases issued by company management.

When engaging in futures transactions, the Adviser must comply with applicable rules of the Commodity Futures Trading Commission ("CFTC"). The Adviser also may lend portfolio securities to brokers, dealers and other financial institutions for those accounts that have a securities lending agreement on file. The Adviser may use additional derivative instruments and other hedging, risk management and return enhancement techniques as new opportunities become available and as regulatory authorities broaden the range of permitted transactions.

### **Risks of Investment**

Investors in the Funds, the Sub-Advised Fund and Separate Account Clients bear the risk of loss that the Adviser's investment strategy for such client entails. Fund and Sub-Advised Fund investors should review the applicable offering circular or prospectus for specific information regarding the risks associated with an investment in that Fund. Some or all of the investment risks described herein may also be generally applicable to investments made on behalf of Separate Account Clients. Thus, for purposes of this section "Risks of Investment," the term "Fund" shall be understood to include the Funds, the Sub-Advised Fund and the Separate Account Clients and the term "Investor" shall be understood to include investors in the Funds, Sub-Advised Fund and Separate Account Clients.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world,



fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Fund to execute its strategies and to receive an attractive return on its investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon investments in which the Fund makes.

Business Risks. The Fund invests substantially all of its available capital (other than capital the Adviser determines to retain in cash or cash equivalents) in securities and other intangible investment instruments, publicly traded and over-the-counter options, futures and other derivative instruments and is permitted to sell short and use leverage. Such instruments are generally traded in public markets, are subject to fluctuations, and the market value of any particular investment may be subject to substantial variation. The Fund may invest from time to time in restricted securities that are subject to substantial holding periods or are not traded in public markets at all. Whether or not a public market exists for particular securities, such securities may be or become thinly traded or may cease to be traded after the Fund invests in them, so that the Fund may not be able to resell some of its securities holdings for extended periods, which may be several years. In addition to being illiquid, securities may be issued by unseasoned companies and may be highly speculative. No assurance can be given that the Fund's investment portfolio will generate any income or will appreciate in value or that the Fund will be able to realize appreciation that may occur.

Capitalization of Companies. The Fund may invest in companies with modest capitalization. While the Adviser believes that small companies can provide greater growth potential than larger, more mature companies, investing in the securities of such companies also involves greater risk, potential price volatility and trading costs. These companies often involve higher risks because they lack the management experience, financial resources, product diversification, markets, distribution channels and competitive strengths of larger companies. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. Therefore, the securities of smaller companies may be subject to wider price fluctuations. The spreads between the bid and asked prices of the securities of these companies in the U.S. over-the-counter market typically are larger than the spreads for more actively traded securities. As a result, the Fund could incur a loss if it were to sell such a security (or close a short position) a short time after its acquisition. When making a large sale, the Fund may have to sell a portfolio holding at a discount from quoted prices or may have to make a series of small sales over an extended period of time because of the limited trading volume of smaller company securities.

Availability of Information. The Adviser selects investments for the Fund, in part on the basis of information and data filed by the issuers of such securities with the SEC or made available to the Adviser by the issuers of securities and other instruments or by others. Although the Adviser intends to evaluate such information and data and to seek independent corroboration when it considers appropriate and when it is reasonably available, the Adviser is not in a position

to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not readily available.

Initial Public Offerings (“IPOs”) and Secondary Public Offerings. IPOs are usually done by young, unseasoned and oftentimes unprofitable companies and therefore generally pose greater risks for investors than investing in more established companies. Established public companies have documented financial history that an investor can use to understand the cyclicity of a business, the valuation levels assigned by the marketplace, the liquidity of a company’s securities and the quality of management. Such information does not exist for IPOs. While secondary public offerings often occur for established businesses, the newly issued securities are generally priced close to where the existing securities are trading in the marketplace tending to restrain the opportunity for material profits in the short term.

The Adviser places an order for an IPO or secondary public offering with the underwriters of the offering. After taking orders from all of the interested parties, the underwriters then allocate the available shares. It is generally the case that for attractive offerings, where there is more demand than supply, the Adviser receives only a small fraction of its original order. Conversely, when there is little demand relative to supply, the Adviser is often allocated a large percentage of the requested securities. Because the Adviser generally receives few securities in the oversubscribed offerings and larger allocations in the less attractive offerings, the average opportunity for profit over time in IPOs and secondary public offerings may be modest when compared to the aforementioned risks. In addition, trading IPOs and secondary public offerings can create significant portfolio turnover resulting in additional transaction fees, brokerage commissions and tax consequences.

Illiquid Investments. The Fund may invest in securities or other assets that are not readily marketable, including securities of private companies, restricted securities of public companies (*i.e.*, securities the disposition of which are restricted under applicable securities laws), OTC options and certain other derivatives. The Fund may find it difficult to readily dispose of illiquid investments in the ordinary course of business. Accordingly, if the Fund were to receive withdrawal requests in excess of its cash on hand or investments that are readily marketable, the Fund may be required to liquidate investments at discounted prices to meet the withdrawal request. The Investor could elect to receive portfolio securities in lieu of cash, but the Investor might find it difficult to readily liquidate any such securities received from the Fund.

In addition, illiquid investments may not have an established trading market. In the absence of an established trading market, the value of such securities or assets will be based on fair value as determined by or under the authority of the Adviser, whose determination will be final and conclusive as to all parties. No third party valuation or appraisal will be obtained. Accordingly, if the Fund invests a significant amount of its assets in illiquid investments, the value of the Fund will be based in significant part on the valuations placed on the Fund’s assets without reference to an established market for such investments. The actual value of the security or other instrument, however, may prove significantly different, which may adversely affect the value of the Fund and the amounts realized by Investors upon final sale of any such investments.

Short Sales. Certain of the Funds and certain separate account clients may engage in short sales. A short sale results in a gain if the price of the securities sold short declines between

the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale results in a loss if the price of the securities sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that the Fund may be required to pay with respect to the borrowed securities, offset (wholly or partly) by short interest credits. In a generally rising market, the Fund's short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss.

To make a short sale, the Fund must borrow the securities being sold short. Although the Fund has established accounts at securities brokerage firms, it may be difficult for the Fund to borrow securities at the most desirable time to make a short sale. In addition, there are rules prohibiting short sales of securities at prices below the last sale price, which may prevent the Fund from executing short sales of securities at the most desirable time. If the prices of securities sold short increase, the Fund may be required to provide additional funds or collateral to maintain the short positions. This could require the Fund to liquidate other investments to provide additional collateral and such liquidations might not be at favorable prices.

Options Transactions. Certain Funds and certain separate account clients may buy, sell, write, and cover options to manage exposure to security prices, indices, interest rates, and currency exchange rates. Some option strategies, including buying puts and writing calls, hedge the Fund's investments against price fluctuations. Other strategies, including writing puts and buying calls, tend to increase market exposure. Options can be volatile investments involving a high degree of risk. If the Fund applies a hedge at an inappropriate time or judges market conditions incorrectly, options strategies may reduce the Fund's return. The Fund also could experience losses if the prices of option positions were to be poorly correlated with its other investments, or if it could not close its positions because of an illiquid secondary market.

Certain of the Funds and certain separate account clients may buy, sell, write and cover options not traded on a securities exchange. Options not traded on an exchange or traded on a foreign exchange are not issued by the U.S. Options Clearing Corporation; therefore, the risk of nonperformance by the obligor on such an option may be greater and the ease with which the Fund can dispose of such an option may be less than in the case of an exchange traded option issued by the Options Clearing Corporation. Options traded on foreign exchanges generally are not regulated by United States authorities and may offer less liquidity and less protection to the Fund if the other party to the contract defaults.

Options can be highly volatile investments and involve special risks. Successful investment strategies using options require the ability to predict future movements in securities prices, interest rates and other economic factors. The Fund's efforts to use options (even for hedging purposes) may not be successful and could result in a reduction in the Fund's total return.

Futures Contract Trading is Speculative and Volatile. Certain Funds may engage in the trading of futures. Futures contract prices are highly volatile. Price movements for contracts are influenced by, among other things: changing supply and demand relationships; weather; agricultural, trade, fiscal, monetary and exchange control programs and policies of governments;

various economic indices, such as the U.S. Consumer Price Index; political and economic events and policies; changes in interest rates and rates of inflation; currency devaluations and revaluations; and emotions of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and gold. Such intervention is often intended to influence prices directly. The placing of certain orders (*e.g.*, “stop-loss” or “stop-limit” orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as “spread” and “straddle” positions, may be as risky as taking simple “long” or “short” positions.

Futures Contract Trading is Highly Leveraged. Because of the low margin deposits normally required in futures contract trading, an extremely high degree of leverage is typical of a futures contract trading account. As a result, a relatively small price movement in a futures contract may result in immediate and substantial losses to the Fund that exceed the amount of margin deposited. For example, if, at the time of purchase, 10% of the price of a futures contract is deposited as a margin, a 10% decrease in the price of the contract would, if the contract were then closed out, result in a total loss of the margin deposit. A decrease of more than 10% would result in a loss of more than the total margin deposit. Thus, like other leveraged investments, any purchase or sale of a futures contract may result in losses in excess of the amount invested.

Futures Contract Trading May Be Illiquid. It is not always possible to execute a buy or sell order at the desired price or to close out an open position due to market illiquidity. Such illiquidity can be caused by intrinsic market conditions, the interrelationship between the futures and securities markets or extrinsic factors like the imposition of daily price fluctuation limits.

Most U.S. commodity exchanges limit fluctuations in certain futures contract prices during a single day (or part thereof) by imposing what are known as “daily price fluctuation limits” or “daily limits.” The daily limit for a futures contract, which is set by the relevant exchange, imposes a floor and a ceiling on the prices at which a trade may be executed, as measured from the last trading day’s closing price (or the price earlier in the same trading day). Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in such contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Prices in various futures contracts have occasionally moved the daily limit for several consecutive days with little or no trading. While daily limits may reduce or effectively eliminate the liquidity of a particular market, they do not limit ultimate losses, and may in fact substantially increase losses because they may prevent the liquidation of unfavorable positions. Further, normal pricing relationships between the underlying interest and the futures contract or the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. This absence of an underlying reference price may make it difficult to judge “fair” value. In addition, even if futures contract prices have not moved the daily limit, the Fund may not be able to execute trades at favorable prices if little trading in the contracts involved is taking place. Also, under some circumstances, the Fund might be required to accept or make delivery of the commodity underlying a particular futures contract if the position cannot be liquidated prior to its expiration date.

It is also possible that, pursuant to their emergency powers, the CFTC and the U.S. commodity exchanges may take extraordinary actions in the event of a market emergency, including, for example, requiring the immediate liquidation and settlement of a particular contract, permitting trading in a particular contract for liquidation purposes only and suspending trading. Similarly, trading in options on a particular futures contract may become restricted if trading in the underlying futures contract becomes restricted.

Trading on Foreign Exchanges. Certain Funds may trade futures contracts on exchanges located outside the United States, where the CFTC regulations do not apply. Such foreign futures transactions may be riskier than U.S. futures transactions because the regulatory framework under which foreign exchanges operate may be less stringent than their U.S. counterparts. Trading on foreign exchanges may involve certain other risks not applicable to trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome or confiscatory taxation, moratoriums or political or diplomatic events. Some foreign commodities exchanges, in contrast to domestic commodities exchanges, are “principals’ markets” in which performance with respect to a contract is the responsibility only of the individual member with whom the trader has entered into a contract, and not of the exchange or clearinghouse, if any. Due to the absence of a clearinghouse system on certain foreign markets, such markets are significantly more susceptible to potential disruptions or dislocations.

Currency Risk. The profit or loss in transactions in foreign currency-denominated contracts (whether they are traded in the United States or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

Failure of Broker or Exchange. Under CFTC regulations, futures commission merchants (“FCMs”) maintain customers’ assets in a bulk segregated account. If an FCM fails to do so, or is unable to satisfy a substantial deficit in a customer account, its other customers may be subject to risk of loss of their funds in the event of such FCM’s bankruptcy. In that event, the FCM’s customers, such as the Fund, are entitled to recover, even in respect of property specifically traceable to them, only a pro rata share of all property available for distribution to all of such FCM’s customers. The Fund may also be subject to the risk of the failure of, or delay by, any of the exchanges and markets and their clearinghouses, if any, on which futures contracts are traded.

Trading of Commodity Options. In addition to the risks described above, commodity options are subject to other risks. For example, if the Fund purchases an option to sell or buy a futures contract or commodity, the Fund will pay a “premium” representing the market value of the option. Unless the price of the futures contract or commodity underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the Fund may lose the entire amount of the premium. Conversely, if the Fund sells an option to sell or buy a futures contract or commodity, the Fund will be credited with the premium, but will have to deposit margin due to its contingent liability to deliver or accept the futures contract or commodity underlying the option in the event the option is exercised. To the extent the Fund sells, it will be subject to the entire loss that occurs in the underlying futures contract or commodity (less any premium received). The ability to trade in or exercise options may be restricted in the event that trading in the underlying futures contract or commodity becomes restricted.

Speculative Limits. With respect to the Fund's futures trading, the existence of speculative position limits may restrict the full application of the Adviser's futures trading strategies. The CFTC and the various U.S. commodity exchanges have established position limits on the maximum net long or net short speculative positions which any person or group of persons may own, hold or control in particular futures contracts and options on futures contracts. Insofar as such limits exist, the CFTC requires that all futures positions owned, held, managed and controlled by the Adviser, be aggregated for position limit purposes.

Use of Leverage. Certain Funds and certain separate account clients may borrow money on margin. Certain Funds are also authorized to borrow money from banks and other entities, and may use the proceeds from such leveraging for investment purposes. Use of leverage is a speculative investment technique and involves certain risks to the Fund. These risks include the possibility of higher volatility of an investment in the Fund. So long as the Fund is able to realize higher net returns on its investment portfolio than the then-current interest rate of any leverage together with other related expenses, the effect of the leverage will be to cause Investors to realize a higher current net investment income than if the Fund were not so leveraged. On the other hand, to the extent that the then-current interest rate on any leverage, together with other related expenses, approaches the net return on the Fund's investment portfolio, the benefit of leverage to the Fund will be reduced, and if the then-current interest rate on any leverage were to exceed the net return on the Fund's portfolio, the Fund's leveraged capital structure would result in a lower rate of return to the Investors than if the Fund were not so leveraged. Similarly, since any decline in the value of the Fund's assets will be borne entirely by the Fund, the effect of leverage in a declining market would be a greater decrease in value of the Fund. The Fund's use of leverage secured by the Fund's assets may also act to reduce its liquidity, which may in turn have a negative impact on redemptions.

Although intended to increase returns, the Fund's borrowing of money (either on margin or loans from outside sources) to purchase securities and other assets will expose the Fund to the risk that the returns achieved will be lower than the cost of borrowing to purchase such assets and that the leveraging of the Fund will diminish the returns to be achieved by the Fund as a whole. In addition, there is a risk that the availability of financing will be interrupted at some future time, either as a result of margin calls, covenant restrictions or otherwise, requiring the Fund to sell portfolio assets to repay the outstanding borrowings or a portion thereof. It may be necessary to make such sales at prices the Fund considers unfavorable. It is expected that a portion of the assets of the Fund could be pledged as collateral for the borrowed funds. In the event of a default under the debt instruments, the lenders could elect to foreclose and sell such assets without regard to the tax or other consequences of such action to the Investors. In addition, the debt instruments may contain limitations on the Fund to make distributions to Investors or to effect withdrawals. The rights of the lenders to receive payments of interest on or repayments of principal of borrowings will be senior to the rights of the Investors.

Securities Lending Arrangements. Certain Funds may lend securities to broker-dealers and other institutions as a means of earning additional income. If the borrower becomes insolvent or bankrupt, the Fund could experience delays and costs in recovering its securities. To the extent that, in the meantime, the value of securities lent declines, the Fund could experience further losses. Security loans must be fully collateralized, and the Adviser must be satisfied with the creditworthiness of the other party to the transaction.

Repurchase Agreements. Certain Funds may enter into repurchase agreements, by which they buy a security and simultaneously agree to sell it back later at a higher price. The repurchase date is usually within 7 days of the initiation of the agreement. If the other party to a repurchase agreement becomes insolvent or bankrupt, the Fund may experience delays and incur costs in recovering payment or the securities. To the extent that the value of the security purchased changes in the meantime, the Fund could experience further losses. Repurchase agreements to which the Fund is a party must be fully collateralized by Fund securities. Repurchase agreements can have effects similar to margin trading and other leveraging strategies.

Hedging Strategies. Certain Funds may engage in hedging strategies. Any hedging strategies discussed herein should be expected to increase the Fund's transaction costs, interest expense and other costs and expenses. No assurance can be given that short sales, hedging, leverage and other techniques and strategies will not result in material losses for the Fund.

Portfolio Turnover. Certain Funds have higher portfolio turnover than many other investment funds. The brokerage commissions and other transaction costs incurred by the Fund are generally higher than those incurred by funds with lower portfolio turnover rates.

Derivatives. Certain Funds may invest in derivative instruments presenting special considerations and risks. Successful use of these instruments depends on the Adviser's ability to predict movements in the overall securities and currency markets, which requires different skills than predicting changes in the prices of individual securities. There can be no assurance that any particular strategy adopted will succeed. In adverse circumstances the use of derivatives may result in sudden and severe losses.

General Risks of Foreign Investments. Certain Funds may invest in securities of non-United States companies including ADRs, foreign securities denominated in United States dollars and foreign securities denominated in foreign currencies if the Adviser believes that these securities present an attractive opportunity. Such investing involves certain considerations comprising both risk and opportunity not typically associated with investing in United States companies. These considerations include fluctuation in exchange rates of foreign currencies, less public information with respect to issuers of securities, less governmental supervision of foreign issuers of securities, lack of uniform accounting, auditing and financial reporting standards, the possible expropriation of assets or confiscatory taxation by a host government, the possible imposition of foreign taxes, and political risks associated with the countries in which foreign issuers are located. Individual foreign economies may differ favorably or unfavorably from the United States economy in growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency and balance of payments positions, and in other respects. Certain Funds may invest in securities of foreign governments (or agencies or subdivisions thereof), and some or all of the foregoing considerations may apply to such investments as well.

Foreign Currency Transactions. Certain Funds may engage in foreign currency transactions. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the foreign exchange markets and the relative merits of investments in different countries, actual or perceived changes

in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by the United States or foreign governments or central banks or the failure to intervene, or by currency controls or political developments in the United States or other countries.

Lower Rated Securities. Certain Funds and certain separate account clients may invest in lower rated securities. There are significant risks of investing in higher yielding (and, therefore, higher risk) debt securities. These are securities such as those rated Ba by Moody's Investor Service ("Moody's") or an equivalent rating by any other Nationally Recognized Statistical Rating Organization ("NRSRO"), or securities such as those rated as low as Caa by Moody's or an equivalent rating by any other NRSRO or unrated securities of comparable quality. Obligations rated Ba by Moody's are judged to have speculative elements, their future cannot be considered as well assured and often the protection of interest and principal payments may be very moderate. Obligations rated Caa by Moody's are of poor standing and may be in default or there may be present elements of danger with respect to principal or interest. Comparable ratings by other NRSROs carry substantially similar risks. All such obligations, though high yielding, are characterized by great risk. The market price and yield of bonds rated Ba or lower by Moody's or an equivalent rating by any other NRSRO are more volatile than those of higher rated bonds. In addition, the retail secondary market for these bonds may be less liquid than that of higher rated bonds.

Economic Conditions. Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, trade relationships, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of the Fund. None of these conditions is or will be within the control of the Adviser, and no assurances can be given that the Adviser will anticipate these developments.

Competition; Inadequate Return. The Fund competes with numerous other private and public investment funds as well as other investors, many of which may have resources substantially greater than the Fund's. No assurance can be given that the returns on the Fund's investments will be commensurate with the risk of investment in the Fund. There can be no assurance that returns of the Fund in future periods will reflect previous historical levels. This may be due in part to changes in market conditions affecting investments and strategies, as well as the proliferation of funds pursuing similar strategies (thereby making it difficult for one fund to outperform others).

Limited Diversification. As a result of subsequent losses or withdrawals, the Fund may not have sufficient funds to diversify its investments to the extent desired or currently contemplated by the Adviser. The Adviser intends to invest the Fund's assets with a view to diversifying the Fund's portfolio among issuers, but may choose not to do so when the Adviser believes it appropriate. The degree of the market risk to which the Fund is exposed will be inversely proportional to the degree to which the Fund's portfolio is diversified. No standards have been established to limit the concentration of the Fund's portfolio.

No Control over Portfolio Issuers. The Fund may from time to time acquire substantial positions in the securities of particular companies. Nevertheless, the Fund is not likely to obtain



representation on the board of directors or any control over the management of any company in which the Fund may invest and the success of each investment will depend on the ability and success of company management in addition to economic and market factors.

Subscription and Redemption Timing Risk. With respect to any subscription or redemption request, the market value of investments or potential investments may be subject to material positive or adverse change in the period prior to the date that such subscription amounts are invested or interests are redeemed; however, such subscription or redemption request shall be binding in accordance with its terms. In light of the advance notice required for redemptions, investors may experience significant declines in the value of their investment between requesting a redemption and the completion of the redemption.

Limited Liquidity of Investments. Securities in which the Fund invests may be thinly-traded and relatively illiquid or may cease to be traded after the Fund invests. The Fund may also acquire significant positions in some securities. In such cases, and in the event of extreme market activity, the Fund may not be able promptly to liquidate its investments if the need should arise. In addition, the Fund's sales of thinly-traded securities could depress the market value of such securities and thereby reduce the Fund's profitability or increase its losses. Such circumstances or events could affect materially and adversely the amount of gain or loss the Fund may realize.

Restricted Securities. Certain Funds may invest in restricted securities that are not traded in public markets. Restricted securities generally are difficult to sell at prices comparable to the market prices of similar securities that are publicly traded. No assurance can be given that any such restricted securities will be eligible to be traded on a public market even if a public market for the securities were to develop. It is highly speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.

Limited Liquidity of Private Investment Funds and Separate Account Clients. The Funds do not trade on an exchange and no public market is expected to develop for these Funds. The prospectus for Harbour allows monthly redemptions with a 30 day advance notice. The confidential offering circular for Special, Special II and Quest allow quarterly redemptions with a 30 day advance notice (after an initial 12 month holding period). Per the investment advisory agreement, Separate Account Clients can have their account liquidated upon 30 days advance notice. The Adviser, in its sole discretion, may waive any withdrawal restrictions or impose additional withdrawal restrictions in extraordinary circumstances.

## **Conflicts of Interest**

The Adviser devotes only as much of its time to managing each Fund, the Sub-Advised Fund and each Separate Account Client as it deems necessary or appropriate. Because the Adviser has and will have fiduciary duties to each Fund, the Sub-Advised Fund and the Separate Account Clients, the interests of the Fund, the Sub-Advised Fund and the Separate Account Clients in the selection, negotiation and administration of investments may conflict, and the Adviser will be subject to conflicting demands on its time and attention. The Adviser will attempt to resolve all such conflicts in a manner that is fair to all such interests.

The Adviser, on behalf of each Fund, the Sub-Advised Fund and each Separate Account Client has discretion in determining which investments are made by the Fund, the Sub-Advised Fund and each Separate Account Client, sold to others or made by it with or without the participation of another of the Adviser's clients. In that the Adviser may be able to obtain more favorable compensation in connection with some investments if certain clients participate, the Adviser may be influenced to refrain from causing other clients to make such investments even though participation might benefit such client.

In addition, because the Adviser's compensation is based on a percentage of net profits in the Funds and Sub-Advised Fund, and performance in certain Separate Accounts, it may create an incentive for the Adviser to cause such funds to make riskier or more speculative investments than would otherwise be the case.

#### **DISCIPLINARY INFORMATION**

Skylands and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Skylands is not registered with any other financial industry authorities and is not affiliated with any other persons in the financial industry.

#### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Adviser's affiliated persons are subject to the Adviser's Code of Ethics ("Code") which governs personal securities trading and is designed to foster compliance with the Advisers Act, applicable federal and state statutes and regulatory requirements and to eliminate transactions suspected of being in conflict with the best interests of any client, including a Fund, the Sub-Advised Fund or any Separate Account Client. Subject to the Code, the Adviser may buy or sell securities for itself that it also recommends to clients in which one or more of its officers, members or employees (and members of their families) ("affiliated persons"), directly or indirectly, has a position or interest, or which an affiliated person buys or sells for himself or herself. If you would like a copy of the Code, please contact the Adviser's Chief Compliance Officer at (414) 256-3380 and it will be provided to you at no charge.

The Adviser may come into possession from time to time of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law and the Code, the Adviser is prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Adviser. Accordingly, should the Adviser come into possession of material nonpublic or other confidential information with respect to any public company, the Adviser would be prohibited from communicating such information to clients, and the Adviser will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law and the Code.

The Adviser and its principals and employees may and are expected to invest in the Funds.

The Funds, the Sub-Advised Fund and the Separate Account Clients may, and are generally expected to, acquire securities of issuers at different times and in different amounts based on such client's investment objectives and guidelines. In general, the Adviser pursues more aggressive and speculative investment strategies on behalf of the Funds and the Sub-Advised Fund than those used for Separate Account Clients, although Separate Account Clients may engage in any investment strategies, including aggressive and speculative ones, subject to any investment guidelines set forth in the applicable investment advisory agreement or otherwise provided to the Adviser by such Separate Account Client.

The Adviser performs investment advisory services for various clients and may give advice, and take action, with respect to any clients which may differ from the advice given, or the timing or nature of action taken, with respect to any one account, provided that over a period of time, the Adviser, to the extent practical, seeks to allocate investment opportunities to each account in a manner reasonably believed to be fair and equitable relative to other similarly-situated client accounts. The Adviser, its principals and associates (to the extent not prohibited by the Code), and other clients of the Adviser may have, acquire, increase, decrease or dispose of securities or interests therein at or about the same time that the Adviser is purchasing or selling securities or interests therein for an account in a manner which is or may be deemed to be inconsistent with the actions taken by such persons.

#### **BROKERAGE PRACTICES**

With respect to the Funds, the Sub-Advised Fund and the Adviser's Separate Account Clients, the Adviser is responsible for decisions to buy and sell securities and for the placement of portfolio business and the negotiation of the commissions to be paid on such transactions. It is the Adviser's policy to seek the best execution at the best security price available with respect to each transaction, in light of the overall quality of brokerage and research services provided to it or its clients. In selecting broker-dealers, and in negotiating commissions, the Adviser considers a variety of factors, including best price and execution, ease of administration, the full range of brokerage services provided by the broker, as well as its capital strength and stability, and the quality of the research and research services provided by the broker.

Section 28(e) of the Securities Exchange Act of 1934, as amended (together with the rules and regulations promulgated thereunder, the "Exchange Act"), permits an investment adviser, under certain circumstances, to cause an account to pay a broker or dealer who supplies brokerage and research services a commission for effecting a transaction in excess of the amount of commission another broker or dealer would have charged for effecting the transaction. Pursuant to the provisions of the investment advisory agreement between the Adviser and each Fund and the investment advisory agreement between the Adviser and each of its Separate Account Clients, the Adviser may cause the Funds or the Separate Account Clients to pay a broker which provides brokerage and research services to the Adviser a commission for effecting a securities transaction in excess of the amount another broker would have charged for effecting the transaction provided (i) the Adviser determines in good faith that the amount is reasonable in relation to the services in terms of the particular transaction or in terms of the Adviser's overall

responsibilities with respect to the accounts as to which it exercises investment discretion, (ii) such payment is made in compliance with the provisions of Section 28(e) of the Exchange Act, other applicable state and federal laws and the investment advisory agreement between the Adviser and the Funds and (iii) in the opinion of the Adviser, the total commissions paid will be reasonable in relation to the benefits to the Funds and/or the Separate Account Clients over the long term. Note that the research services provided are not used solely for the accounts which generated the brokerage commissions, but are used to service all of the Adviser's accounts.

Generally, research services provided by brokers may include information on the economy, industries, sectors, individual companies, statistical information, accounting and tax interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Research services may be received in the form of written reports, e-mails, telephone contacts, webcasts, conferences and meetings with security analysts. In addition, such research services may be provided in the form of access to various data bases, software programs and online services. In some cases, research services are generated by third parties but are provided to the Adviser by or through brokers.

Where the Adviser itself receives both administrative benefits and research and brokerage services from the services provided by brokers, it makes a good faith allocation between the administrative benefits and the research and brokerage services, and will pay for any administrative benefits with cash. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Adviser's allocation of the costs of such benefits and services between those that primarily benefit the Adviser and those that primarily benefit its clients.

When the Adviser is given discretion as to brokerage, which is granted per the investment advisory agreements, the Adviser may, but is not obligated to, bunch orders for the purchase or sale of the same securities for the Funds and other client accounts where the Adviser deems this to be appropriate, in the best interests of client accounts and consistent with applicable regulatory requirements. When a bunched order is filled in its entirety, each participating client account, including the Funds, participates at the average price for the bunched order on the same business day, and commission costs are shared pro rata based on each client's participation in the bunched order. When a bunched order is only partially filled, the securities purchased are allocated on a pro rata basis to each Fund or client account participating in the bunched order based upon the initial amount requested for the account, subject to certain exceptions, and each participating account participates at the average share price for the bunched order on the same business day.

In certain rare circumstances, the Adviser may make in kind distributions of securities to a Fund's members or shareholders in accordance with the Fund's organizational and offering documents.

The Adviser trades IPOs and secondary public offerings for its Funds. It also trades such offerings for those Separate Account Clients and the Sub-Advised Fund that specifically authorize such trading activity in writing after evaluating the risks. A Separate Account Client and the Sub-Advised Fund can subsequently opt in or opt out of such trading activity at any time

upon written notice to the Adviser. The Adviser may recommend that a Separate Account Client or the Sub-Advised Fund not authorize such trading based on risk tolerance, high portfolio turnover, tax ramifications, additional brokerage commissions and transaction costs, cash needs and availability, and account size.

The Adviser distributes its allotted shares in an offering based on the proportionate net assets of each Fund and participating Separate Account Client and Sub-Advised Fund. Given transactions costs, including brokerage and custodial fees, the Adviser utilizes a de minimis exemption whereby allocations of fewer than 50 shares are not made. Thus, smaller accounts will participate in fewer offerings over time. In addition, the Adviser may not be able to adhere to the above methodology in certain circumstances, such as when a Fund or Separate Account Client has insufficient available cash or when the client has given instructions to avoid a specific security or industry.

Occasionally, the Adviser may purchase an IPO or secondary public offering with the intention of making an investment and holding the stock for a longer period of time. The Adviser may perform considerable due diligence on the merits of an investment in the security and request shares for the Funds, Separate Account Clients and the Sub-Advised Fund regardless of their trading activity preference. In such instance, the Adviser may not always allocate shares pro rata based on account assets and may allocate fewer than 50 shares to an account. The Adviser will take into consideration an account's investment objectives, asset allocation mix, cash availability, and current or future competing investment opportunities when allocating IPO or secondary public offering shares for investment purposes.

Each of the Adviser's portfolio managers has investment discretion and may make purchase or disposition decisions for a client that differ from decisions made for other clients, including clients with similar investment objectives, or by the other portfolio managers. For example, a portfolio manager may purchase an IPO or secondary public offering for one or more of the Funds, the Separate Account Clients or the Sub-Advised Fund with the intention that such client hold such securities for investment purposes and another portfolio manager might purchase such securities for trading purposes.

## **REVIEW OF ACCOUNTS**

The Adviser continuously reviews the portfolio accounts of the Funds, the Sub-Advised Fund and its Separate Account Clients. The portfolio management team periodically reviews investment objectives, continually supervises the portfolios of clients and assesses the appropriateness of investments in connection with each portfolio's investment objectives and the general economic environment. There are no fixed limits on the number of accounts assigned to the Adviser's portfolio management team.

Reports are provided on a monthly or quarterly basis to Fund and Sub-Advised Fund investors. Reports are also provided on a quarterly basis to the Separate Account Clients. Such periodic reports provide Fund investors and Separate Account Clients information regarding, among other things, the value of their investment(s) and, with respect to a Fund, its respective financial operations and condition. Fund clients also receive annual audited financial statements.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

From time to time, the Adviser may enter into solicitation arrangements pursuant to which the Adviser compensates persons or entities for client referrals that result in the provision of investment advisory services by the Adviser. The Adviser has retained Perinvest (UK) Limited to solicit non-U.S. clients for Harbour in exchange for a percentage of the management fees and performance fees earned by the Adviser in connection with such client's investment in Harbour. The Adviser has also retained Alternative Asset Investment Management Securities, LLC, an SEC registered broker-dealer, to solicit non-U.S. and U.S. clients for Harbour, and U.S. clients for Special, Special II and Quest in exchange for a percentage of the management fees and performance fees earned by the Adviser in connection with such client's investment in the funds. The Adviser is also paying Alternative Asset Investment Management Securities, LLC a monthly retainer fee for travel and marketing expenses incurred. Additionally, the Adviser has retained BHA Select Network, LLC, an SEC registered broker-dealer, to solicit U.S. clients for Special, Special II and Quest in exchange for a percentage of the management fees earned by the Adviser in connection with such client's investment in the specified Funds.

## **CUSTODY**

The Adviser maintains custody of each Fund's assets with Goldman Sachs & Co., a qualified custodian, at 200 West Street, 3<sup>rd</sup> floor, New York, NY 10282, (212) 902-1811.

## **INVESTMENT DISCRETION**

Skylands has discretionary authority to manage investments on behalf of its clients. As a general policy, Skylands does not allow investors in the Funds or the Sub-Advised Fund to place limitations on this authority. Skylands assumes this discretionary authority pursuant to the terms of the Funds' operating agreements and/or investment advisory agreements and the Sub-Advised Fund's sub-investment management agreement. Investment discretion is provided to Skylands per the powers of attorney executed by the Separate Account Clients in their investment advisory agreements. Separate Account Clients may however give Skylands alternate investment directions from time to time.

## **VOTING CLIENT SECURITIES**

In accordance with SEC requirements, the Adviser has adopted Proxy Voting Policies and Procedures ("Proxy Policy") to address how the Adviser will generally vote proxies, as applicable, for its Funds and the Separate Account Clients. The Adviser does not vote proxies for the Sub-Advised Fund. The Proxy Policy seeks to ensure that the Adviser votes proxies (or similar instruments) in the overall best interest of the Fund and the Separate Account Clients, as applicable, including when there may be material conflicts of interest in voting proxies. In the event there is or may be a material conflict of interest between the Adviser and a Separate Account Client, the Adviser will generally obtain directions from the client on the proposed proxy vote. In connection with voting proxies, the Adviser utilizes the services of a third-party proxy agent that is directed to vote clients' proxies pursuant to the Adviser's Proxy Policy and subject to the ongoing oversight and supervision of the Adviser. If you would like a copy of the Adviser's complete Proxy Policy or information regarding how Skylands voted particular

proxies, please contact the Adviser's Chief Compliance Officer at (414) 256-3380 and it will be provided to you at no charge.

#### **FINANCIAL INFORMATION**

Skylands does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.

**SUPPLEMENTAL INFORMATION ABOUT CERTAIN PRINCIPALS OF SKYLANDS -  
CHARLES A. PAQUELET**

**This brochure supplement provides information about Charles A. Paquelet that supplements the Skylands Capital, LLC (the “Adviser”) brochure. You should have received a copy of that brochure. Please contact the Adviser’s Chief Compliance Officer at (414) 256-3380 if you did not receive the Adviser’s brochure or if you have questions about the contents of this supplement.**

*Educational Background and Business Experience*

Mr. Paquelet is President, portfolio manager and sole manager of Skylands Capital, LLC (the “Adviser”). He was born in 1965. He received a B.S. degree in finance from Case Western Reserve University in 1987 and an M.B.A. in finance from Indiana University in 1989. He has earned the right to use the Chartered Financial Analyst (CFA) designation. The Chartered Financial Analyst (CFA) designation is an international professional certification offered by the CFA Institute (formerly AIMR) to financial analysts who complete a series of three examinations. To become a CFA charter holder, candidates must pass each of three six-hour exams, possess a bachelor’s degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. CFA charter holders are also obligated to adhere to a Code of Ethics and Standards governing their professional conduct. In 2004, Mr. Paquelet founded the Adviser and is its sole owner. Prior to founding the Adviser, he was a portfolio manager and principal at Strong Financial Corporation (“SFC”). He joined SFC in May 1989 as an equities securities analyst and became a portfolio manager in January 1990 and subsequently a principal. Prior to joining SFC, Mr. Paquelet was a financial analyst for B.F. Goodrich Company.

*Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Paquelet.

*Other Business Activities*

Mr. Paquelet is not engaged in any investment-related business outside of his role with the Adviser.

*Additional Compensation*

Mr. Paquelet does not receive any additional compensation that is required to be disclosed.

*Supervision*

As the President and sole manager and owner of the Adviser, Mr. Paquelet is responsible for implementing and overseeing the Adviser’s investment strategy for each of its clients. Mr. Paquelet’s investment activities are not subject to the direct supervision of any other individual, although the Adviser’s Chief Compliance Officer ((414) 256-3380) oversees his compliance with the Adviser’s policies and procedures.



**SUPPLEMENTAL INFORMATION ABOUT CERTAIN EMPLOYEES OF SKYLANDS -  
A. PHILIP GRYGLAS**

**This brochure supplement provides information about A. Philip Gryglas that supplements the Skylands Capital, LLC (the “Adviser”) brochure. You should have received a copy of that brochure. Please contact the Adviser’s Chief Compliance Officer at (414) 256-3380 if you did not receive the Adviser’s brochure or if you have questions about the contents of this supplement.**

*Educational Background and Business Experience*

Mr. Gryglas is a research analyst and portfolio manager of the Adviser. He was born in 1972. He received a B.S. degree in environmental engineering from the United States Military Academy at West Point in 1994. He served over five years on active duty as a Field Artillery officer in the United States Army before resigning his commission with the rank of Captain. Mr. Gryglas received his M.B.A. in finance with high honors from the University of Notre Dame in 2001. He has earned the right to use the Chartered Financial Analyst (CFA) designation. The Chartered Financial Analyst (CFA) designation is an international professional certification offered by the CFA Institute (formerly AIMR) to financial analysts who complete a series of three examinations. To become a CFA charter holder, candidates must pass each of three six-hour exams, possess a bachelor’s degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. CFA charter holders are also obligated to adhere to a Code of Ethics and Standards governing their professional conduct. Prior to joining the Adviser in 2004, he was an equity research analyst at SFC which he joined in 2001. Prior to joining SFC, Mr. Gryglas was a financial analyst intern at IBM.

*Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Gryglas.

*Other Business Activities*

Mr. Gryglas is not engaged in any investment-related business outside of his role with the Adviser.

*Additional Compensation*

Mr. Gryglas does not receive any additional compensation that is required to be disclosed.

*Supervision*

Mr. Gryglas’ job responsibilities are subject to the direct supervision of Mr. Paquelet, and the Adviser’s Chief Compliance Officer ((414) 256-3380) oversees his compliance with the Adviser’s policies and procedures.

**SUPPLEMENTAL INFORMATION ABOUT CERTAIN EMPLOYEES OF SKYLANDS -  
THOMAS M. HEARDEN**

**This brochure supplement provides information about Thomas M. Hearden that supplements the Skylands Capital, LLC (the “Adviser”) brochure. You should have received a copy of that brochure. Please contact the Adviser’s Chief Compliance Officer at (414) 256-3380 if you did not receive the Adviser’s brochure or if you have questions about the contents of this supplement.**

*Educational Background and Business Experience*

Mr. Hearden is a trader of the Adviser. He was born in 1962. He attended the University of Wisconsin – Madison where he studied Finance & Risk from 1981 – 1985. Prior to joining the Adviser in 2013, he was the managing director and head of sales trading at ITG Inc. from April 2009 – September 2013. At Robins & Henderson, he was the CEO from January 2005 – March 2009. From December 1994 – December 2004, he was the head equity trader at SFC. Prior to joining SFC, Mr. Hearden was the head equity trader at Cadence Capital from January 1989 – November 1994.

*Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Hearden.

*Other Business Activities*

Mr. Hearden is not engaged in any investment-related business outside of his role with the Adviser.

*Additional Compensation*

Mr. Hearden does not receive any additional compensation that is required to be disclosed.

*Supervision*

Mr. Hearden’s job responsibilities are subject to the direct supervision of Mr. Paquelet, and the Adviser’s Chief Compliance Officer ((414) 256-3380) oversees his compliance with the Adviser’s policies and procedures.