

Kahn Brothers Advisors LLC

Registered Investment Adviser

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Investment Adviser Brochure

(Form ADV Part 2A)

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This brochure provides information about the qualifications and business practices of Kahn Brothers Advisors LLC. If you have any questions about the contents of this brochure, please contact Kahn Brothers Advisors LLC at 212-980 5050. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

ITEM 2: MATERIAL CHANGES

This section describes any material changes that have been made to this brochure since its last annual update in March 2014.

There have been no material changes to this brochure since the last filing.

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ITEM 4: ADVISORY BUSINESS

Kahn Brothers Advisors LLC (the "Firm"), a wholly owned subsidiary of Kahn Brothers Group, Inc., is a Registered Investment Adviser. The Firm was founded in July of 1978 as Kahn Brothers & Co., Inc. Over time, the corporate structure changed, resulting in the creation of Kahn Brothers Group, Inc. and its subsidiaries.

As of December 31, 2014, Kahn Brothers Advisors LLC managed a total of \$657,933,265 of assets, \$633,245,506 of which was on a discretionary basis and \$24,687,759 of which was on a non-discretionary basis. All funds are custodied at outside institutions including Pershing LLC (a subsidiary of The Bank of New York Mellon Corp.), Charles Schwab & Co. Inc. and Morgan Stanley Smith Barney LLC. The Firm is privately held with one principal owner possessing at least 25% of the company: Kahn Brothers Group, Inc.

The Firm's clients include individuals and families, as well as institutions such as pension funds, charities and foundations. For discretionary accounts, the Firm offers its clients a substantial degree of personalization in terms of investment parameters and objectives that fall under its value investing framework. It also offers the ability to customize investments on a non-discretionary basis. If a client prefers not to own particular stocks or stocks in particular industries, the Firm can accommodate those requests. All restrictions must be written into the client's Investment Advisory Agreement with the Firm. Although the Firm offers substantial flexibility, it prefers its discretionary clients to be familiar and comfortable with its investment style and to provide it with the maximum amount of discretion in implementing investment decisions.

Kahn Brothers Advisors LLC primarily focuses on publically-traded equities. However, the Firm may occasionally transact other types of securities, including but not limited to American Depositary Receipts, investment fund shares, warrants, rights and fixed income and derivative securities.

Kahn Brothers Advisors LLC employs a modified Graham and Dodd value investing style that it has developed and employed since the Firm's inception in 1978. The Firm's founding chairman, Irving Kahn, was a teaching assistant at Columbia University to Benjamin Graham, the father of value investing and fundamental analysis. The Firm's principals have been using variations of Graham's approach throughout their careers. The Firm's strategy seeks a long-term annualized total return that exceeds its benchmark while maintaining reasonable protections against permanent loss of capital. Its managers are not focused on short-term results, instead concentrating on long-term performance over periods of years or even decades. The duration of a typical investment of the Firm may be three to five years or longer.

The Firm's managers look for stocks that are trading near to or below their "intrinsic values." Value can be measured in many ways, but the Firm tends to use a variety of metrics, including (among many) book value, tangible book value, sum-of-the-parts, sales, EBIT, EBITDA, earnings per share, net working capital and/or cash flow. The Firm seeks to invest in securities whose prices have been depressed in a manner that is disproportionate or abnormal as compared to reasonable expectations in a reasonable environment. After the managers have identified a stock that trades at a discounted or acceptable price as compared to its value, they look for catalysts that might unlock that value and cause the price to rise to a reasonable level as compared to that value.

The Firm employs a primarily bottom-up, fundamental analysis of investments. The managers seek a detailed understanding of target companies, their industries and the positions of those companies relative to their competitors. When possible, the managers engage in direct dialog with company managements. The managers review and analyze multiple sources of information that include company filings and varied outside sources. Macroeconomic factors are considered in the investment process but do not drive decision-making.

The Firm's managers seek value opportunities wherever they may find them. They find attractive situations in companies large and small and across the spectrum of the world's industries. The most

important singular criterion that the Firm seeks before making an investment is an attractive ratio of a security's price to its value. The price to value relationship—as opposed to arbitrary characteristics such as the company's market capitalization, industry or geographic location—is key to the investment process.

Depth of experience is also an essential part of the Firm's methodology. Experience over many market cycles imparts judgment that is essential to making prudent and informed investment decisions.

Client accounts that use certain broker-dealer institutions may be subject to wrap fee programs. The Firm currently manages accounts pursuant to such programs at Morgan Stanley Smith Barney LLC. The Firm charges these clients its customary advisory fees. In addition to these types of accounts, the Firm also manages accounts at individually contracted rates for clients who have been referred by financial consultants. There is no difference in the manner in which the Firm manages accounts with wrap fee programs or other individually contracted rates and accounts without such programs or rates.

ITEM 5: Fees and Compensation

Kahn Brothers Advisors LLC provides investment advisory and management services to discretionary and non-discretionary accounts. It charges an advisory fee that is a percentage of the assets in the client's account. In most cases, the Firm's fee is 1% of those assets. The assets are appraised at the market value of the assets at the end of each calendar quarter. The advisory fee is subject to negotiation between the client and the Firm. As a result, it may be larger or smaller than 1% of assets and may, in some instances, exclude cash and equivalents.

Generally speaking, advisory fees are paid in advance, at the start of the calendar quarter. Although not typical, some clients may pay their advisory fees in arrearage or at another date agreed upon between the client and the Firm. Advisory fees are computed at the beginning of each quarter by applying one-quarter of the annual rate to the aggregate value at the end of the previous quarter. Also, the Firm maintains a small number of legacy clients that pay fixed, non-variable advisory fees that were negotiated before the Firm's current standard billing practices were implemented.

Advisory fees can either be deducted directly from a client's portfolio or can be billed to the client and paid in a manner of the client's choosing. Clients whose assets are domiciled at Pershing LLC (a subsidiary of The Bank of New York Mellon Corp.)—which is the clearing agent for the Firm's affiliated broker-dealer, Kahn Brothers LLC—generally have fees deducted directly from their accounts.

Although not typical, the Firm may assess performance-based fees in some client accounts. If applicable, such fees are negotiated per mutual agreement between the client and the Firm as a part of the client's overall billing arrangement. The Firm currently has a small number accounts with such agreements. For more information on performance-based fees, see Section 3 (entitled "Performance-Based Fees and Side-By-Side Management").

Clients wishing to terminate an advisory contract must present written notice to the Firm. Most advisory contracts specify a requirement of 60 days advance written notice to receive a pro-rated reimbursement of the current quarter's advisory fee. However, at the discretion of the Firm's management, the Firm may waive the required notice.

Kahn Brothers Advisors LLC uses an affiliated broker-dealer, Kahn Brothers LLC, to transact most of its securities trades. When it executes trades, Kahn Brothers LLC receives commissions pursuant to the agreement between it and the client. Neither Kahn Brothers LLC nor the Firm charges "mark ups." Advisory clients who choose to use the services of Kahn Brothers LLC may negotiate commission rates at the same time that they negotiate advisory fees with the Firm. Clients also have the option of executing

investments that the Firm recommends through brokers or agents that are not affiliated with the Firm. For more information on the Firm's brokerage arrangements, please see Section 9 (entitled "Brokerage Practice").

Kahn Brothers Advisors LLC and its affiliated businesses do not give any of their employees special compensation of any kind for promoting particular securities or investment products. Such compensation, while not illegal, presents a conflict of interest and is against company policy.

Kahn Brothers Advisors LLC; its affiliated broker-dealer, Kahn Brothers LLC; and its other affiliated businesses are not custodians for clients' assets. All clients' assets are custodied at independent custodians that may charge custody fees to be determined by the institutions themselves and outside of the purview of Kahn Brothers Advisors LLC and its affiliated businesses.

Client accounts that use certain broker-dealer institutions may be subject to wrap fee programs. The Firm currently manages accounts pursuant to such programs at Morgan Stanley Smith Barney LLC. The Firm charges these clients its customary advisory fees. In addition to these types of accounts, the Firm also manages accounts at individually contracted rates for clients who have been referred by financial consultants. There is no difference in the manner in which the Firm manages accounts with wrap fee programs or other individually contracted rates and accounts without such programs or rates.

ITEM 6: Performance-Based Fees and Side-By-Side Management

Performance-based fees or allocations are forms of compensation that an investment adviser or fund manager assesses in proportion to the profits earned in the client's account or in the capital account of a partner in an investment fund and may be subject to certain limitations.

Kahn Brothers Advisors LLC currently assesses a performance-based fee in a small number of accounts. Each of these fee arrangements varies from each other based on the individualized compensation terms negotiated between the Firm and the client. However, it is generally a negotiated percentage of the net profits of the account adjusted for contributions and withdrawals, and it may be subject to a high water mark and/or a performance hurdle.

Performance-based fees or allocations can incentivize managers to perform well for their clients. However, they can also encourage managers to speculate or to take greater risks than they would in the absence of such fees or allocations. Performance-based fees can also, in some instances, create a conflict of interest. This can arise when an investment adviser manages performance-based fee or allocation accounts side-by-side with accounts that don't charge such fees. When there is side-by-side management, investment advisers may be encouraged to offer more or better services to those accounts that have the performance-based fees.

The principals and employees of Kahn Brothers Advisors LLC and its affiliated businesses are aware of these potential conflicts and manage all accounts fairly regardless of the presence or absence of performance-based fees or allocations. The Firm's principals, compliance officer and supervisory employees continually monitor the Firm's personnel to ensure that this policy is followed.

ITEM 7: Types of Clients

Kahn Brothers Advisors LLC' services a range of different types of clients with a historically low turnover. Clients, who may include high net worth individuals and their satellite accounts, family portfolios, pension funds, charities, foundations, endowments, trusts, individual retirement accounts and other types of institutional and non-institutional client accounts, are admitted at the discretion of the Firm. Although the Firm has no formal restrictions on new clients, its principals prefer incoming clients to have a minimum of mid-seven-figures in investable assets. The Firm may waive this policy at its discretion and also may admit smaller accounts that exist as a part of a family or institutional group. These policies allow the Firm to continue to provide its clients with high quality and personalized investment advisory service as well as valuable one-on-one meetings with the Firm's investment managers.

ITEM 8: Methods of Analysis, Investment Strategies and Risk of Loss

Kahn Brothers Advisors LLC employs a modified Graham and Dodd value investing style that seeks an adequate return on capital over long periods of time with satisfactory protections against permanent loss of capital.

The Firm has developed and employed this approach since its inception in 1978. The Firm's founding chairman, Irving Kahn, was a teaching assistant at Columbia University to Benjamin Graham, the father of the value investing and fundamental analysis. Swayed by the merits of value investing, the Firm's principals adopted the strategy and have used variations of it throughout their careers.

Depth of experience is an important component of the Firm's methodology. Judgment gained from investment experience over many market cycles is important for making prudent and informed investment decisions. The Firm's late founding chairman, Irving Kahn, who began his career in 1928, and its current chairman, president and chief investment officer, Thomas Graham Kahn, who began his career in 1967, have relied heavily on their professional experience and judgment in making investment decisions for the Firm and its clients.

Kahn Brothers Advisors LLC is not focused on short-term results, choosing instead to concentrate on long-term performance over periods of many years or even decades. The duration of a typical investment of the Firm may be three to five years or longer.

The Firm manages investments primarily in publically-traded equities. However, it may also transact other types of securities—including but not limited to American Depositary Receipts, investment fund shares, warrants, rights and fixed income and derivative securities—if it feels it is prudent to do so. The Firm may engage in long or short transactions, although shorts tend to be infrequent.

The Firm's investment decisions are based its modified value investing strategy which relies on a primarily bottom-up process of fundamental analysis of securities. The managers seek a detailed understanding of target companies, their industries and the positions of those companies relative to their competitors. When possible, the managers engage in direct dialog with members of company managements. The managers review and analyze multiple sources of information including company filings and varied outside sources. Macroeconomic factors are considered in the investment process but do not drive decision-making. The Firm does not employ technical analysis and finds the technique largely without merit. Its analysts and managers prefer to study company, industry and economic information instead of looking for largely arbitrary patterns in trading data.

Within its modified value investing paradigm, the Firm uses many sources and methods to find investment opportunities. Its managers may look for investments in businesses with little to no long-term debt, reasonable amounts of cash, strong net working capital positions and/or prices that are near to or below a company's "intrinsic value." Value can be measured in many ways, but, the Firm tends to use a variety of metrics including book value, tangible book value, sum-of-the-parts, sales, EBIT, EBITDA, earnings per share, net working capital and/or cash flow. The managers select securities, one at a time, based on asset valuations, operating performance metrics and long-term fundamental business prospects (among other characteristics). After they have identified a security that trades at a discounted or acceptable price as compared to its value, they look for catalysts that might unlock that value and cause the price to rise to a reasonable level as compared to that value.

If there are very few values to be found in a given period, the Firm is perfectly comfortable holding cash and equivalents for its clients, rather than placing money in speculative, overpriced issues. The Firm will not invest in an overpriced market simply to have its clients "fully invested." Instead of risking its clients' money in frothy, overvalued securities, the Firm would rather wait patiently for attractive situations to arise.

The Firm's managers seek value opportunities wherever they may find them. They find attractive situations in companies large and small and across the spectrum of the world's industries. The most important singular criterion that the Firm seeks before making an investment is an attractive ratio of a security's price to its value. The price to value relationship—as opposed to arbitrary drivers of diversification like a company's market capitalization, industry or geographic location—is key to the Firm's investment process.

The Firm prefers companies whose managements hold meaningful stakes in their companies' shares and are thus more inclined to protect their own, as well as their shareholders', interests. It is less comfortable with situations in which the managements have unnecessarily aggressive compensation packages and/or nominal ownership interests.

The Firm's investment process may be characterized as "contrarian." The Firm's managers will often look for out-of-favor stocks or stocks in depressed economic sectors, rather than seeking out the popular industries or names of the day. This means that the Firm may invest in companies that, at the time of purchase, may appear to be unattractive from the perspective of the prevailing mainstream public or broad market viewpoint. Buying at depressed levels is one of the hallmarks of successful value investing. As a result, the Firm often looks for companies that are, at the time of purchase, depressed but whose prospects (as concluded by the Firm's analysis) indicate that the downturn may be temporary. Such situations may include investments in what are termed "fallen angels." These are companies that have suffered temporary and resolvable problems but maintain the capacity for material improvement in the future. The Firm may also invest in "special situations," which are investments in which the upside potential is heavily dependent on a material corporate event such as a sale, merger, acquisition, tender, spin-off, bankruptcy, or other relevant corporate action.

The Firm may purchase micro, small or medium capitalization stocks or stocks with large amounts of closely-held shares. Such securities may be traded more infrequently, in smaller quantities, or in the less liquid over-the counter market. These companies often have a smaller following among securities analysts and institutional investors. Low levels of institutional ownership increase the likelihood of inefficient pricing, which can help to create the bargain opportunities that the Firm seeks. As a result, these stocks have a greater potential for mispricing and illiquidity. As with all investments, one should be familiar with the characteristics and trading liquidity of these securities if they are ever purchased.

All investments in securities, including those transacted by the Firm, involve a risk of realized loss of capital that clients should be prepared to bear. The Firm tries to mitigate this risk by refraining from the purchase of securities that it deems to be overpriced and by employing a long-term investment strategy that can lessen the impact of short-term volatility. However there is no guarantee that the Firm's strategy or its analysis of an investment will be correct, and losses, unrealized or realized, may occur.

Investing in general is subject to many risk factors, some of which are within the Firm's control and some of which are not. Factors out of the Firm's control include varied economic and political events that may negatively affect investments. Additionally, the increased volatility of the markets may lead to adverse investment performance for periods of time.

Some types of investments that the Firm engages in on a highly infrequent basis have inherent risks particular to them. Short sales, however rarely used, carry a risk of loss that is theoretically unlimited. Potential monetary losses on short sales have no upward bounds. Fixed-income investments may carry varied risks, including interest rate risk, credit risk and reinvestment risk, among others types of risk. Interest-rate sensitive securities, including preferred equity securities, may have interest-rate risk associated with them. Investments in options, however rarely used, carry various risks including, for long positions, the potential for 100% loss of premium; for uncovered short calls, a potential for loss that is theoretically unlimited; and, for options in general, potential losses that are significantly levered as compared to the amount of one's original investment.

Kahn Brothers Advisors LLC employs a modified value investing strategy. Although value investing seeks to mitigate risk by avoiding the purchase of overpriced securities, investors should be aware that there are risks particular to this strategy. It is possible that the market may undervalue an investment for an indefinite or unacceptably long period of time. This can negatively impact the investment's desired return or lead to losses. Additionally, when investing in "fallen angels" or out-of-favor companies or industries (i.e. contrarian investing), there is a risk that these companies or industries may fail to regain favor and that this will negatively impact returns or lead to losses. There is a risk that investments in "special situations" will not produce the desired return or will lead to losses if the anticipated corporate event does not materialize or materializes after an unacceptably long period of time. All of the aforementioned risks may be greater for investments in small or illiquid companies.

The Firm's modified value investing approach is just one particular investment style. There is a broad universe of different styles, each with its own advantages and disadvantages. Furthermore, there is a wide array of opinions on the strengths and weaknesses of each style. Investors should be aware that any discretionary investment with Kahn Brothers Advisors LLC will be made according to its modified value style—other styles will not be employed. Therefore, discretionary investments with the Firm will not be diversified by investment methodology. The Firm invests most often in the public equities markets. Therefore, discretionary investments with the Firm may not be diversified by asset class. However, clients may always diversify their investments with respect to these characteristics on a non-discretionary basis.

As with any long-term investment, there is the potential for the Firm's investments on behalf of clients to incur unrealized or realized losses for periods of time and for its clients' portfolios to underperform benchmark indices for periods of time. This is usually a natural part of a long-term investment's lifecycle. There will be times, particularly early in an investment, when a security's price will be low enough to be unattractive to sell. There may also be times when it will be lower yet and can produce a realized loss if sold. The Firm rarely recommends exiting investments during these periods. Therefore, clients should be prepared to hold their investments during these periods and, in some cases, at the Firm's recommendation, to increase their investments at the reduced prices that have presented themselves. If a client chooses to exit an investment during one of these periods of underperformance, there may be a realized loss or a return below expectations that the client should be prepared to sustain.

Inevitably, there will be times when the market becomes overpriced as a whole, and, during these times, underpriced and attractive investments may become harder to identify. In such a market, the Firm may prefer to hold larger amounts of cash and equivalents in a client's account rather than investing in securities that it deems to be excessively risky due to overpricing. Clients should understand that, during these periods, their cash and equivalents may produce little to no return depending on the prevailing interest and inflation rates. However, the Firm's managers are more comfortable holding cash and equivalents that earn little to no return than with purchasing overpriced, risky securities.

ITEM 8: Disciplinary Information

There are no legal or disciplinary events that are material to the Firm or to a client's or prospective client's evaluation of our advisory business or to the integrity of the Firm's management.

ITEM 9: Other Financial Industry Activities and Affiliations

Neither Kahn Brothers Advisors LLC nor any of its management persons is registered or has a pending application to register as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor or an associated person of any of the foregoing entities.

The Firm does not recommend or select other investment advisers for its clients from which it receives directly or indirectly compensation that creates a material conflict of interest.

The Firm and its management persons are affiliated with a number of entities that are relevant to its advisory business and/or its clients. Please see the relevant sections for information on the potential conflicts of interest that could arise in connection with these relationships: (1) related to brokerage and execution, see Section 9 (entitled "Brokerage Practices"), (2) related to investment recommendations, see Section 8 (entitled "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading"); and (3) related to fees, see Section 2 and Section 3 (entitled "Advisory Fees" and "Performance-Based Fees and Side-By-Side Management" respectively). The following affiliations may apply:

- Kahn Brothers LLC, a broker-dealer under the same parent company as the Firm that is managed by the Firm's principals and has many clients in common with the Firm. The following management persons have positions: Thomas Graham Kahn, Chairman, President, Director and a significant investor; William DeLuca, Senior Vice-President and Secretary; Kenneth Rodwogin, Senior-Vice President and Director; William Knox, Senior Vice-President; and Paula Cutrone, Senior Vice-President and Director.
- KB Group Asset Management LLC, an investment entity with no clients that exists under the same parent company as the Firm. The following management persons have positions: Thomas Graham Kahn, Chairman, President, Director and a significant investor; William DeLuca, Senior Vice-President and Secretary; Kenneth Rodwogin, Senior-Vice President and Director; William Knox, Senior Vice-President; and Paula Cutrone, Senior Vice-President and Director.
- Kahn Brothers Asset Management Corp., a Registered Investment Adviser to a limited partnership that is managed by the Firm's principals. The following management persons have positions: Thomas Graham Kahn, Chairman, President, Director and a significant investor, and William DeLuca, Vice-President;
- KB & Partners Management Co. LLC, a Registered Investment Adviser to a limited partnership that is managed by the Firm's principals. The following management persons have positions: Thomas Graham Kahn, Chairman, President, Director and a significant investor, and William DeLuca, Vice-President; and
- Sterling Bancorp Inc. a publicly traded bank holding company headquartered in Montebello, New York of which the Firm's chairman, president and chief investment officer, Thomas Graham Kahn, is a current director. Mr. Kahn was also a director of its predecessor company, Provident New York Bancorp Inc., which was merged into Sterling Bancorp in 2013. The Firm has addressed the potential conflicts of interest that may arise by strictly adhering to its investment methodology as the sole motivation for all transactions in Sterling Bancorp (and its predecessor); by transacting in these securities only during Mr. Kahn's authorized trading windows as an insider; by strictly enforcing the Firm's policies regarding inside information; by having the Firm's other principal and senior employees monitor Mr. Kahn's trading activity in these securities, should it occur, prior to execution.

ITEM 10: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Kahn Brothers Advisors LLC has a Code of Ethics that acts as a guide for lawful and ethical conduct by its employees. The principals of Kahn Brothers Advisors LLC believe that the Firm's good reputation is a direct reflection of the conduct and professionalism of its employees. Employees are therefore expected to comply with the Code of Ethics unconditionally.

The Code of Ethics obligates the Firm's employees to maintain and follow their fiduciary responsibilities to the clients of the Firm and its related entities. This includes, among other things, responsibility of the Firm's employees to *never* (a) serve their own personal interests ahead of clients' interests, (b) take advantage of their position with the Firm to gain unauthorized forms of compensation (c) permit an actual or potential conflict of interest or abuse of position of trust and responsibility or (d) act or permit an action that creates the impression that one of the aforesaid violations has occurred.

Before entering into an investment advisory relationship with the Firm, all prospective clients are advised that the Firm and its employees own or may own directly or indirectly the same securities that will be recommended and/or transacted for them. If the Firm, its principals and its employees have a material financial interest in a company that it is currently recommending, this interest will be disclosed before dispensing investment advice on that company or making a discretionary investment in that company.

Employees must provide independent, impartial advice; must ensure that advice is suitable to clients' respective investment objectives, needs and circumstances; must obtain best execution for clients' transactions when the Firm, its employees or their families are also transacting the same security; and must safeguard all clients personal, non-public information. The provision relating to clients personal, non-public information applies during and after the employment term of the Firm's employees.

The Code of Ethics also strictly prohibits any actions that are or can be construed as being unethical or illegal. This includes any actions that are or may be interpreted as fraudulent, deceptive or manipulative. Trading on material, non-public information (also known as "insider information") is strictly forbidden under the Code of Ethics as well as by U.S. federal law in multiple sections of the Securities Exchange Act of 1934 and in Code of Federal Regulations, Title 17, Chapter II, §240.10b-5 (commonly referred to as SEC Rule 10b-5). The Firm has a "zero tolerance" policy for transactions that are motivated by insider information or employ deceptive devices or practices.

The Code of Ethics also describes the Firm's policies on personal securities transactions. It is the policy of the Firm to allocate purchases and sales of securities fairly among its advisory clients and always to give the client priority over the Firm, its affiliated entities and their related parties. When placing orders, employees of the Firm must be aware of other pending orders in that same security to ensure proper prioritization of transactions and best execution for clients of the Firm. When possible, the Firm prefers to have these trades executed on different days to remove any potential conflicts from the transactions. The Firm's officers regularly review all transaction activity in advisory, employee and related entity accounts to ensure that this policy is honored.

The Firm and its related persons do not recommend or transact for clients securities in which it or they have a material financial interest. However, the Firm and its affiliated businesses and their related persons own or may own directly or indirectly shares of companies that the Firm recommends as investments. Generally speaking, this direct or indirect ownership by the Firm's principals and employees can create a conflict of interest in that a client's investment in such a company could have a material impact the company if it was of sufficient size. Additionally, an investment adviser may be biased towards recommending such an investment regardless of its merits or suitability to the client. However, the Firm

believes that these conflicts as they relate to the Firm and its clients are at most nominal for the following reasons. Positions by the Firm's principals and employees in investments that the Firm recommends are almost always passive. Also, these investments are typically in publicly-traded, liquid securities that are not materially affected by additional investments of the size executed by or on behalf of clients of the Firm.

Regarding bias in the recommendation of such investments, the Firm's principals believe it is in the clients' best interests to have their financial interests aligned with their clients'. They maintain a policy of "eating their own cooking," which means only recommending investments to clients that they too are or would invest in for themselves or their families. Any investment that is good for a client should also possess enough merit and sway enough conviction for the Firm's principals and/or their families to be comfortable owning it directly or indirectly themselves. The Firm considers this policy to be a benefit, not a drawback, to the client. However, to ensure that a conflict does not arise from such a transaction, the senior officers of the Firm monitor all transactions of this type.

All violations or observed violations of the Code of Ethics must be promptly reported to the Firm's Chief Compliance Officer who will take remedial action.

The Firm's Code of Ethics is available free of charge to any client or prospective client upon request.

The Firm and its related persons do not buy or sell securities from the Firm's clients. Some of the Firm's principals are also principals for two firms, Kahn Brothers Asset Management Corp. and KB & Partners Management Co. LLC, which act as investment advisers for respective limited partnerships. Although not common, the principals may solicit qualifying clients to make investments in these partnerships. These partnerships have largely identical investment strategies to the Firm's. However, there may be a conflict of interest in that the fee structure of these partnerships may not be identical to the fee structure of the given client account. In some cases, the fees may be greater; in others, they may be less. The Firm addresses the potential conflict that may arise by fully describing to the solicited client the various fee structures, their differences, if any, and any conflicts of interest, if any. More on this topic and how it is addressed can be found in Section 2 and Section 3 (entitled "Advisory Fees" and "Performance-Based Fees and Side-By-Side Management" respectively).

ITEM 11: Brokerage Practices

Clients of Kahn Brothers Advisors LLC may select any broker-dealer of their choosing. However, the Firm has an affiliated broker-dealer called Kahn Brothers LLC that executes trades for a significant number of the Firm's advisory clients.

At the onset of a new client relationship, the Firm informs the client that he or she may select any broker-dealer of his or her choosing. The Firm also informs the client that most clients elect to use the Firm's affiliated broker-dealer, Kahn Brothers LLC. The Firm explains to new clients its relationship to Kahn Brothers LLC, as well as the fee structure involved and how it may differ from those of other firms. Aside from the foregoing, the Firm generally does not recommend broker-dealers to its clients. However, if a client does request an additional broker-dealer recommendation, one will be provided. No compensation or client referrals will be received by the Firm in connection with the recommendation.

Brokerage commissions in the United States are negotiable, and incoming clients are advised of this fact. Commission arrangements are typically specified *by the advisory client* and formalized in the client's Investment Advisory Contract.

Incoming clients are advised that if they commence a relationship with the affiliated broker-dealer, they will, in all likelihood, not receive the absolute lowest execution charges available. However, clients are

informed that the Firm's principals believe that the combined amount of advisory fees paid to Kahn Brothers Advisors LLC and commissions paid to Kahn Brothers LLC is a reasonable total charge for the services that are rendered. Neither the Firm nor the affiliated broker-dealer charges mark-ups.

Occasionally, Kahn Brothers LLC or a client's unaffiliated broker-dealer may have multiple client orders in the same security. When this occurs and if possible, the broker-dealer's order room may aggregate these orders if it believes that doing so may effectuate a more favorable execution for the clients. Unfilled bunched orders are allocated by the broker-dealer and the investment adviser to client portfolios in a reasonable and fair manner.

Kahn Brothers Advisors LLC does not purchase investment research or exchange research, products or services for soft dollar benefits. Rather, the Firm generates its own internal research and may obtain source material from firms with which it does not have formal business relationships.

Although the Firm has no soft dollar arrangements, its affiliated broker-dealer, Kahn Brothers LLC, has a disclosed agreement through which its custody and clearing firm, Pershing LLC, may provide it with various office services in addition to the custody and clearing services it provides. In exchange for these total services, Pershing LLC may receive a percentage of the commissions generated by Kahn Brothers LLC (subject to certain limitations specified under contract). The Firm may utilize some of the office services provided by Pershing LLC.

Incoming clients are advised that using a broker-dealer that is affiliated with their investment adviser can create incentives for that investment adviser to generate unnecessary trading activity in their accounts. However, Kahn Brothers Advisors LLC believes that its investment strategy—which employs long holding periods and infrequent trading—strongly discourages this behavior and may actually result in much a much lower rate of turnover of securities in their portfolios than they might experience with investment advisers that use other, more short-term-oriented investment strategies. As a precaution, the Firm's senior employees monitor transactions in client accounts to ensure appropriate trading frequencies and volumes.

It is the policy of the Firm to allocate purchases and sales of securities fairly among its advisory clients and to always instruct its broker-dealer to give an advisory client priority in execution over the Firm, its affiliated businesses, its related persons, and entities in which the Firm, its affiliated businesses or related persons have a financial interest. The Firm's officers regularly review all trading activity in advisory, employee and related party accounts to ensure that this policy is honored.

ITEM 12: Review of Accounts

Senior officers of Kahn Brothers Advisors LLC make an effort to review all discretionary accounts on a frequent and periodic basis. They endeavor to review accounts monthly, although some accounts may be reviewed more or less frequently at the managers' discretion. The Firm's principals believe this interval is appropriate for reviewing accounts that follow the Firm's long-term, low-turnover investment strategy.

Reviews are conducted by the Firm's president, Thomas Graham Kahn, and senior vice-president, William Knox. Evaluations involve, among other factors, analyses of the timing and availability of other attractive investments that are suitable for the client, the portfolio's cash position and the concentration of company and sector positions relative to the total portfolio. Reviews also take into account a client's investment goals and restrictions and short-term and long-term financial needs.

General market conditions and company- and industry-specific news are also tracked on a continuous, pro-active basis. Significant events may trigger additional portfolio reviews. Also, changes in a client's financial or social circumstances may trigger an additional portfolio review.

Clients receive printed quarterly portfolio appraisals that are generated by the Firm's internal account software. These appraisals display the account's holdings by name, the weights of individual positions in the portfolio and the cost and current market value of each position. If a client wishes to receive these appraisals more or less frequently or on a different cycle, this can be arranged at the client's request.

ITEM 13: Client Referrals and Other Compensation

Kahn Brothers Advisors LLC currently does not receive economic benefits from non-clients in exchange for investment advice to its clients. It also has no compensated referral arrangements with any consultants or solicitors. However, in the future, the Firm may pay financial consultants or solicitors for referring clients to the Firm. In such instances, this type of compensation will only occur if the relationship with the consultant or outside individual is disclosed and his/her compensation disclosed in the relevant client's Investment Advisory Contract and Disclosure Document for Solicitor. Both of these documents are signed by the referred client when he or she begins an investment advisory relationship with the Firm. The client is also advised that he or she may pay higher total fees for services obtained through a consultant or solicitor than would otherwise. Additional services provided by a consultant or solicitor, if any exist, must be negotiated between the client and the consultant or solicitor.

ITEM 14: Custody

Kahn Brothers Advisors LLC does not custody assets for its clients. Clients custody their assets at outside institutions, most often at Pershing LLC, a subsidiary of The Bank of New York Mellon Corp. However, assets may be custodied at any qualified custodian institution of the client's choosing. Clients who choose to custody their assets at Pershing LLC frequently execute their trades through the Firm's affiliated broker-dealer, Kahn Brothers LLC—but they are not required to do so.

In addition to receiving quarterly appraisals from the Firm, the client will also receive statements from his or her chosen custodian institution. All clients should carefully review these statements and appraisals, as well as all transaction confirmations. The Firm urges its clients to compare and reconcile the appraisals they receive from the Firm with the statements they receive from their custodian institution.

ITEM 15: Investment Discretion

Clients of Kahn Brothers Advisors LLC generally grant the Firm broad discretionary authority over their portfolios. However, they may place restrictions on that authority. For example, a client may set parameters for investment, such as desired asset allocations, position sizes or bans on the purchase of individual companies, industries or asset classes. Clients may add the provision that discretionary authority only be exercised after first contacting the client telephonically or, if the client is unavailable for consultation, only after contacting another party acting on the client's behalf that has been granted limited or full power of attorney by the client in writing. The client may specify any such parameters for discretionary investments so long as those parameters do not unduly restrict the Firm from implementing its investment strategy.

The client must sign an Investment Advisory Agreement before the Firm may take investment discretion over his or her portfolio. Within the Investment Advisory Agreement is a section in which the client gives the Firm power of attorney over the portfolio. Additionally, the client must sign a Disclosure Document of Solicitor if he or she was referred to the Firm by a consultant or solicitor.

ITEM 16: Voting Client Securities

Clients of Kahn Brothers Advisors LLC often grant the Firm the authority to vote through proxy ballots on their behalf on various proposals that are brought before the shareholders of companies in which they are invested. When granted this authority, the Firm typically votes for the client electronically (i.e. via www.proxyvote.com) or, in some cases, by telephone or by USPS mail. Clients who have not granted the Firm the authority to vote their proxy ballots will receive their proxy ballots directly from their chosen custodian, not from the Firm.

The Firm follows its internal proxy voting policies when voting ballots on behalf of clients who have granted it voting authority. These policies primarily instruct the Firm to vote in a manner that, in the opinion of the Firm, maximizes the long-term financial interests of the client and his or her holdings in the company at hand. These policies also instruct the Firm to vote proxy ballots only after a thorough review of the proxy material. Absent specific reasons and/or concerns to the contrary, the Firm may vote as recommended by the management of the company.

Clients who have granted the Firm authority to vote their proxy ballots but wish to direct a particular vote on their own may do so. To do this, clients may contact the Firm at 212-980-5050 or accountservices@kahnbrothers.com and instruct it on how to vote or may request that the Firm refrain from voting their ballot to allow them to vote themselves.

If a client would like information from the Firm on how it voted a particular security in his or her portfolio, he or she may contact the Firm at 212-980-5050 or accountservices@kahnbrothers.com. Also, upon request, a client may receive a copy of the Firm's proxy voting policies and procedures.

If the Firm believes that a material conflict of interest exists with respect to voting a proxy, the Firm may resolve it in a number of ways. If the conflict pertains to a particular employee of the Firm, then that employee may recuse him or herself from the process of voting that particular proxy. If the conflict pertains to the Firm as a whole, then Firm may request that clients vote their own proxies for that particular security or initiative or it may abstain from that particular vote.

ITEM 17: Financial Information

Kahn Brothers Advisors LLC has no financial conditions that are reasonably likely to impair its ability to meet its contractual commitments to its clients. Nor has it or its predecessor company ever been the subject of any bankruptcy petitions. The Firm does not require or solicit prepayment of fees six months or more in advance.