



ADV Part 2A – Firm Brochure

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Dated February 25, 2016

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This brochure provides information about the qualifications and business practices of Trapeze Asset Management Inc. If you have any questions about the contents of this brochure, please contact us at (416) 861-0774 or (866) 557-0774. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Trapeze Asset Management Inc. is also available on the SEC's website www.adviserinfo.sec.gov.

Trapeze Asset Management Inc. is an SEC-registered investment adviser. This registration does not imply any level of skill or training.

ITEM 2 – MATERIAL CHANGES

We will ensure that clients receive a summary of any material changes to this and subsequent Brochures on an annual basis. We will further notify clients on an interim basis of material changes, as necessary.

Clients may request a current copy of our Brochure at any time by contacting our firm at (416) 861-0774 or (866) 557-0774. Our Brochure is also available for download at any time from the SEC's website at www.adviserinfo.sec.gov.

There are no material changes since the last annual update of this Brochure dated February 24, 2015.

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ITEM 4 – ADVISORY BUSINESS

Trapeze Asset Management Inc. (“TAMI”) is an independently owned SEC-registered investment adviser with our head office located in Toronto, Canada. The firm was founded in 1999 and is 100% owned by 1346049 Ontario Limited, a company controlled by Randall Abramson, TAMI’s President and Chief Executive Officer.

TAMI provides discretionary portfolio management for institutions and high net worth individuals, primarily through separately managed accounts. We are value investors seeking long-term capital growth by investing in securities with potential for above-average appreciation, while striving to avoid permanent loss of capital.

We generally manage each client account based on corresponding model portfolios, which are notional allocations of securities. TAMI manages growth (focused on equities), income and balanced accounts. We tailor our advisory services to the individual needs of clients, as follows. Through discussions with a client, TAMI evaluates the client’s investment objectives, financial circumstances, time horizon and risk tolerance, and establishes whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded. The client’s investment mandate will determine the particular model or models selected to guide investment of the client’s portfolio. Each client’s investment mandate is determined in consultation with the client, in order to select a suitable type of account for the client’s specific objectives and circumstances. We then construct a portfolio of securities based on the applicable model(s). Generally, client portfolios will effectively correspond to the holdings of the applicable model but may account for client-specific factors such as income requirements, tax-related considerations and investment requests or restrictions specified by the client. A particular client account’s holdings and weightings may also deviate from the model as a result of the composition of the client account and cash available to purchase new positions and/or market forces which impact whether specific securities will be purchased, sold, or held for a client account from time to time.

As of December 31, 2015, TAMI had \$70.3 million of discretionary client assets under management, and \$7.0 million of non-discretionary client assets under management.

ITEM 5 – FEES AND COMPENSATION

For portfolio management services, TAMI charges a base management fee and performance-based fees, all as stipulated in our investment counsel agreement.

Our standard base management fee is 1.5% annually for growth accounts and 1.0% for income accounts. Both are based on the net asset value of the account and are deducted from client accounts quarterly in arrears.

Performance fees are applicable only to “qualified clients” as defined under the Investment Advisers Act of 1940, as amended, and are only charged on accounts with growth objectives. The performance fee is equal to 20% of any appreciation in the net asset value of a client account that exceeds a hurdle rate of 8% per year. The performance fee is calculated after deducting the base management fee and other expenses, including commissions, from the net asset value and adjusting for contributions and withdrawals from the account. Any amount of performance less than 8% is carried forward to the next year, but not to any subsequent year. Performance fees are payable annually at the end of each calendar year, but are accrued for interim reporting purposes. Performance-based fee clients should understand that TAMI will receive performance fee compensation with regard to unrealized appreciation as well as realized gains in the client’s account. Further, unrealized gains and losses are determined based on TAMI’s valuation policies, including: (i) Securities listed on a recognized public securities exchange are valued for reporting purposes based on available public market quotations. (ii) Securities for which market quotations are not readily available, including those not listed on any recognized public securities exchange are initially recorded at cost, being the fair value at the time of acquisition. Thereafter, where there are material changes or events that impact an issuer, securities may be valued at their fair value, as determined by Trapeze management. In the case of unlisted securities (e.g., warrants, convertible bonds and debentures) which are exchangeable into common shares listed on a recognized public securities exchange, such securities may be valued at their fair value based on changes in the

underlying common share price. Where we indicate on your account statement that market value is an estimate, the value may be based on TAMI management's judgment and the estimated value may not be realized or realizable as it may not necessarily reflect the true market value of the security. In these instances, all pricing must be approved by TAMI's senior management.

Client fees may be negotiable at our discretion, depending on a number of factors, such as breadth of advisory services offered, amount of assets managed and overall relationship between TAMI and the client involved.

TAMI's fees do not include other costs and expenses incurred in connection with the operation of managed accounts. These may include: safekeeping, service or custodial charges that may be charged by brokers, custodians, banks or trust companies; interest charges on funds borrowed, if any, on behalf of a client; and commissions or other charges for brokerage and banking services. Clients invested in pooled or mutual funds may pay the applicable fees and expenses charged by such funds. Additional information can be found in "Item 12: Brokerage Practices" further in this document.

ITEM 6 – PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT

As stated in *Item 5: Fees and Compensation*, TAMI may earn different fees from clients, including accounts that are charged both a base management fee and performance-based fees and accounts that are only charged a base management fee. This may create an incentive to favor performance-based fee paying accounts when allocating investment opportunities. We manage this conflict through our policy for *Fairness in Allocation of Investment Opportunities*, which outlines the procedures we have in place to allocate investment opportunities among clients. A copy of this policy is available to any client or prospective client upon request.

ITEM 7 – TYPES OF CLIENTS

We provide discretionary management services to institutions, individuals, trusts, estates, charitable organizations, corporations and pooled investment vehicles (e.g., hedge funds).

The minimum assets required to open a managed account with us is \$500,000. The assets of related household, family and business accounts may be combined to meet the minimum. Occasionally, the minimum amount may be waived at our discretion.

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

Investment Philosophy and Process

TAMI follows a value investment approach, emphasizing issuers whose securities are undervalued based on TAMI's views of markets and the economy and our analysis of each potential investment on a risk and return basis. As a value investor, TAMI seeks out undervalued companies that may be temporarily underestimated, misunderstood, under-followed or lesser known by the market. In doing so, TAMI may follow an all-capitalization strategy, that is, seek value opportunities in large, medium or small capitalization ("cap") companies. Depending on a client's objectives and circumstances and a portfolio manager's recommendations, TAMI may follow a more focused approach, for example a portfolio comprised primarily or exclusively of large or small cap companies. Because value investing often requires patience to wait until the market recognizes the value of a particular investment, TAMI generally invests with a view to a medium or long term investment in such companies.

TAMI has a bottom-up investment approach which emphasizes security selection based on our fundamental research. We construct our portfolios through the selection of individual securities which meet our value criteria. We then patiently wait until the market realizes their true values.

Our investment process includes consideration of the economy as a whole and the overall market. These macro views influence our asset and sector allocations. We have also developed proprietary methodologies to aid and complement our analysis, selection and trading of our investments.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. Past performance is in no way indicative of future performance.

In addition to the general risks of investing in securities, there may be particular risks associated with the investment style and strategy of TAMI, which may include the following, depending on the nature of the client's investment mandate and portfolio. It does not, however, disclose all of the risks of investing in securities.

- **Capital risk** – the risk that you may lose money on your investments, i.e., the risk of permanent impairment of capital. As a result of the risks outlined herein and the risk of investing in the markets generally, there is a possibility of losing a substantial amount of your investment in an account managed by TAMI.

- **Market risk** – the risk that the value of an investment will fluctuate as a result of changes in market prices (i.e., volatility), whether the factors are specific to the investment or the overall market. Any potential loss will necessarily be affected by your investment time horizon. TAMI typically invests with a view to the medium and longer term of at least three years. Nevertheless, investors with a short term investment horizon and investors who have to sell their investments quickly because of unexpected circumstances may be subject to the impact of short term volatility resulting from significant market and other events. In these circumstances, an investor who has to liquidate his or her portfolio may incur significant losses.

- **Liquidity risk** – Liquidity is how quickly a security can be sold at a fair price and converted to cash. The value of securities which are not regularly traded (less liquid) will generally be subject to greater fluctuations. See also "Market risk" and "Small cap company risk".

- **Small cap company risk** – As small cap companies are often not well-known by investors or followed by analysts, they may trade at prices less than the fair market value attributed to them through TAMI's analysis and, in TAMI's view, they may offer attractive risk-reward potential over the medium to long term considering their operational risk (e.g., see "Business risk", below) and financial risk (e.g., see "Financial risk", below). However, the shares of small cap companies generally trade less frequently and in smaller volumes than shares of larger companies. As a result, shares of small cap companies are generally less liquid, which may affect a holder's ability to dispose of them quickly (see "Liquidity risk", above) and may also contribute to significant volatility. Emphasis on small cap companies (as TAMI has often done in its managed accounts) can contribute to outsized short-term fluctuations in prices and returns for managed portfolios; in addition, in the event that TAMI has difficulty in selling or repurchasing significant portions of securities of small cap companies, except at substantially adverse prices, it could result in a significant loss to managed portfolios.

We often invest in income securities issued by small companies for clients with income or growth objectives. Our income investments typically include, and may be concentrated in, higher yielding non-rated corporate bonds and debentures of smaller issuers which are generally less liquid (see "Liquidity risk", above) than government-issued fixed income securities or those issued by larger corporations.

Smaller companies may also have limited resources, including limited access to funds, and business changes or events can have a disproportionate impact on smaller companies which may have less diversified assets and/or products relative to large companies. This may increase the capital risk and credit risk (see "Capital risk", above and "Credit risk", below) of an investment in such companies.

The risks of investing in small cap companies may be reduced by selecting a portfolio mandate with a greater emphasis on large cap companies, which tend to be more liquid and less volatile than small cap companies.

- **Concentration risk** – the risk in holding a relatively limited number of investments or market sectors. Concentration in a particular market sector or asset class may subject a portfolio to pronounced cycles and widely varying conditions in the market, depending on the market sector and asset class; for example, resource

and other commodity prices can change significantly as a result of supply and demand speculation, government and regulatory activities and international monetary and political factors. Concentration in an individual issuer or small number of issuers may also subject a portfolio to risk. Portfolios with concentrated investments may involve greater risk and volatility than more broadly based investment portfolios because the performance of a particular market sector, asset class or issuer may have a significant, adverse effect on the entire portfolio. In addition, concentration in an individual issuer that is a small company can contribute to liquidity risk (see “Liquidity risk”, above). TAMI may, from time to time, overweight its portfolios in small cap companies and in a relatively limited number of market sectors, asset classes or investments. For example, TAMI’s portfolios have often emphasized oil and gas and gold stocks and have held large individual positions in those sectors.

- **Credit risk** – the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss; for example, the issuer of a bond or other fixed income security may default or be unable to make further interest and principal payments when they are due. An investor in such a security may lose some or all of its initial investment if the issuer cannot repay principal.

- **Currency risk** – the risk that changes in foreign exchange rates may affect the value of your investment if it is held in another currency.

- **Interest rate risk** – the risk that the value of a debt instrument will fluctuate due to changes in prevailing interest rates.

- **Business risk** – the risk inherent in the operations of an entity or its industry. For example, these risks may involve political and/or economic developments, changes in competitive landscapes, and changes in commodities prices due to changes in supply and demand.

- **Financial risk** – the risk associated with the amount of leverage or debt used by an entity to finance its assets.

- **Cash flow risk** – the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount, such as a debt instrument held with a floating interest rate.

- **Leverage risk** – You may authorize TAMI to use margin in your managed account, if eligible, by borrowing funds against the assets of your account to enable you to make additional investments. In such instances, TAMI may employ the use of leverage for your account at its discretion from time to time when a portfolio is fully invested. Where TAMI uses margin for your account, it will generally be limited to approximately 20% or less of the portfolio’s total value. If you have or intend to engage in third party borrowing to fund your investments, regardless of whether they are held at TAMI, it is imperative that you inform your TAMI portfolio manager. This information is a key component in properly assessing the suitability of your investments with us.

Using money borrowed from others to purchase investments involves greater risk than a purchase using your own money. A leveraging strategy could result in far greater losses than an investment strategy that does not involve leverage. A client has a continuing obligation to repay principal and interest even if the value of the investment goes down. If the market moves against your positions, or margin levels are increased, you may have to deposit substantial additional funds on short notice to maintain your positions, failing which your positions may be liquidated. Moreover, you will remain liable for any resulting deficit in your account and interest charged on your account.

- **Short selling risk** – Accounts may be eligible for and approve the use of short selling from time to time. Short selling involves selling a security that has been borrowed from an existing holder, with an obligation to return it, typically by repurchasing the security in the market. Short selling is commonly associated with having a negative view of a particular security since the short seller profits if the price of the security falls and the short seller then repurchases it at a price below the selling price. This strategy may also be used as a general market hedge to provide downside protection for a diversified portfolio, by short selling select securities that TAMI believes are vulnerable to a price decline. In these circumstances, if the security increases in value and has to be purchased for return to the lender, you will incur a loss based on the price you have to pay to purchase the security; in theory, there is no upper limit to the amount of such loss, as it depends on how high the price of the security goes.

- **Options risk** – Accounts may be eligible for and approve the use of options. Before trading options for an account, a client must sign an Options Trading Agreement which includes a risk disclosure statement for options. Option strategies can be used for hedging purposes, i.e., to provide downside protection to the portfolio where TAMI anticipates a market correction; or for investment purposes, i.e., to invest indirectly in securities or financial markets.
- **Fund risks** – there may be other particular risks associated with an investment in units of a fund (including those managed by TAMI or an affiliate of TAMI), which are enumerated in the prospectus, offering memorandum or other disclosure document of each fund, a copy of which will be provided to you if your account invests in such fund. For example, an investment in such a fund may have similar risks to those above and other risks identified in the fund’s offering documents.

ITEM 9 – DISCIPLINARY INFORMATION

On April 27, 2012, the Ontario Securities Commission ("OSC") issued an order approving a settlement agreement between OSC staff and TAMI, Randall Abramson and Herbert Abramson (collectively, the "Respondents"). The Respondents cooperated with the OSC in this matter. The Respondents admitted in the settlement agreement that as a result of their emphasis on issuer-related risks and longer term investment periods, they did not give sufficient weight to concentration risk or to price volatility risk and liquidity risk. They acknowledged that underweighting of these risks led them to understate in marketing material the risks of investments and to treat as medium risk securities that were higher than medium risk, and that in some cases in connection with managed accounts this resulted in know-your-client and suitability deficiencies, contraventions of sections 13.2 and 13.3 of National Instrument 31-103 (and section 1.5 of OSC Rule 31-505 prior to September 28, 2009) and conduct that was contrary to the public interest. The Respondents were reprimanded and together required to pay to the OSC an administrative penalty of \$1,000,000 and costs of \$250,000. TAMI was also required to submit to a review of its practices and procedures by an independent consultant in accordance with terms of reference attached to the order, conduct account reviews with its clients in accordance with the terms of reference, and send a letter to clients outlining its intention to conduct such account reviews.

On April 27, 2012, an Investment Industry Regulatory Organization of Canada ("IIROC") hearing panel accepted a settlement agreement between IIROC staff and TAMI's affiliate, Trapeze Capital Corp., Randall Abramson and Herbert Abramson (collectively, the "IIROC Respondents"). The IIROC Respondents cooperated with IIROC in this matter. The IIROC Respondents admitted in the settlement agreement that as a result of their emphasis on issuer-related risks and longer term investment periods, they did not give sufficient weight to concentration risk or to price volatility risk and liquidity risk. They acknowledged that underweighting of these risks led them to understate in marketing material the risks of investments and to treat as medium risk securities that were higher than medium risk, and that in some cases in connection with managed accounts this resulted in know-your-client and suitability deficiencies, contraventions of IIROC Dealer Member Rules 1300.1(a), (p) and (q) and 29.1 in that some of the conduct was detrimental to the public interest. The IIROC Respondents were together required to pay to IIROC a fine of \$500,000 and costs of \$200,000. Trapeze Capital Corp. was also required to submit to a review of its practices and procedures by an independent consultant in accordance with terms of reference to the agreement, conduct account reviews with its clients in accordance with the terms of reference, and send a letter to clients outlining its intention to conduct such account reviews.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

TAMI has a business relationship with its affiliated Canadian investment dealer, Trapeze Capital Corp. ("TCC"). TCC is a member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund. TAMI and TCC are controlled by the same entity, 1346049 Ontario Limited ("1346049 Ontario"). Randall Abramson is President, Chief Executive Officer, Director and a portfolio manager at both TAMI and TCC and is the controlling shareholder of 1346049 Ontario. Herbert Abramson is Chairman, a Director and a portfolio manager at both TAMI and TCC. Adam Abramson is Vice President, Chief Compliance Officer, a Director and a portfolio manager at both TAMI and TCC. Mohammad Salam is Chief Financial Officer

at both TAMI and TCC. Each of Randall Abramson, Herbert Abramson, Adam Abramson and Mohammad Salam are Registered Representatives of TCC.

Pursuant to the investment counsel agreement signed by clients, in respect of each managed account, TAMI is authorized to open an account in the client's name with an investment dealer, which may be TCC. By this authority, TAMI will open an account in the client's name with TCC. Unless otherwise directed by a client, TAMI generally considers it appropriate to use its affiliate TCC as broker to effect securities transactions for compensation on behalf of our clients. TAMI may use TCC exclusively for brokerage services, whether TCC executes securities trades directly or through other broker-dealers, at its discretion. TCC charges competitive rates for trades, on the whole, taking into account the relevant factors normally affecting the amounts charged by dealers generally. From time to time, we obtain competitive quotes to assure ourselves that such charges are competitive.

Where TCC is part of an underwriting or selling group for a new issuance of shares, TAMI will be entitled to acquire such securities on behalf of clients from TCC if it deems it in the best interest of the client to do so and TCC will be entitled to earn all fees, broker warrants and other usual compensation relative to such transactions.

If a client (or TAMI, on behalf of a client) opens a margin account with TCC, the client (or TAMI, on behalf of such client) will enter into a margin agreement with TCC which provides as follows. Where TAMI trades on a margin basis with TCC, TCC will be entitled to charge competitive interest charges normally paid to brokers on any debit balances from time to time. TCC will also be entitled to pay competitive interest normally paid by brokers on credit balances from time to time, to enjoy lending rebates on shares lent and to enjoy the rights and benefits brokers normally do in providing margin to a client.

If a managed account makes a trade involving a security which is denominated in a currency other than the currency of the account, or receives a payment in a currency other than the currency of the account, a conversion of currency may be required. The conversion may take place on the trade date or such other date as TAMI in its discretion deems advisable. Based on instructions from TAMI, currency conversion transactions may be executed by TCC and/or its carrying broker (together the "Broker") at conversion rates established by them, and the Broker may earn revenue, in addition to the commission applicable to such a trade, based on the spread between the conversion rate and the rate at which the rate is offset by the Broker either internally, with related parties or in the market.

As a result of TAMI's affiliation with TCC, the commissions (and other fees) payable to TCC in connection with brokerage transactions may present a conflict of interest, to the extent that there is a financial incentive for certain portfolio managers of TAMI who are shareholders of 1346049 Ontario (including Randall Abramson, who also is a portfolio manager of TAMI and a controlling shareholder of 1346049 Ontario) and therefore have indirect ownership interests in TCC, to indirectly benefit by causing client accounts to trade more frequently through TCC. TAMI has taken steps to manage this potential conflict of interest through policies and procedures designed to ensure that TAMI's direct compensation, including compensation paid to employees responsible for portfolio management, is independent of any activities carried on by TCC. TAMI also completes periodic portfolio turnover reviews to ensure that its portfolio managers have not been influenced by TCC commissions to over-trade client accounts. Furthermore, TAMI periodically evaluates TCC's execution capabilities and performance, based on the costs and quality of trades, in keeping with TAMI's duty to seek best execution for its clients.

When reviewing TCC's services in effecting securities transactions, TAMI considers a number of factors, including, for example, execution capability, clearance and settlement, financial strength and stability, available liquidity, commission rates, registration requirements, and other matters applicable to the receipt of brokerage services generally.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

We have adopted a Code of Ethics for the purpose of instructing our personnel in their ethical obligations and to provide rules for their personal securities transactions. TAMI and our employees take great care to operate ethically and comply with applicable Federal securities laws, keeping in mind at all times our fiduciary duty to our clients. The Code of Ethics covers a range of topics that may include: standard of conduct, investment process and actions, client priority, conflicts of interest, personal securities trading and reporting (including public offerings and private placements), personal business, confidentiality of client information, insider trading, gifts, reporting of violations, and acknowledgment of the Code of Ethics by employees. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions and Personal Trading

A “Responsible Person” is (a) TAMI, (b) every individual who is a partner, director, or officer of TAMI, and (c) each of the following who has access to, or participates in formulating, an investment decision made on behalf of a client of TAMI or advice to be given to a client of TAMI: (i) an employee or agent of TAMI; (ii) an affiliate of TAMI, including TCC; (iii) a partner, director, officer, employee or agent of an affiliate of TAMI, including TCC.

TAMI may trade in any securities of any issuer in which a Responsible Person or an associate of a Responsible Person is an officer or director provided that such office or directorship is disclosed to clients. In addition, TAMI may trade in any securities of an issuer in which a Responsible Person or an associate of a Responsible Person has a material direct or indirect interest. For example, from time to time, TAMI may recommend a security in which TAMI, TCC or employees of either TAMI or TCC, have a financial interest, or that they may buy and sell for themselves.

Since these transactions may create a conflict between TAMI’s interests and the client’s interest, we have adopted written policies and procedures which are communicated to all employees concerning the acquisition and disposition by TAMI of securities in which employees may also have a financial interest. These policies and procedures are designed to ensure that clients are dealt with honestly and in good faith.

TAMI or its employees may buy or sell the same securities that TAMI recommends to clients or securities in which clients are already invested. A conflict of interest exists in such cases because TAMI or its employees have the ability to trade ahead of clients and potentially receive more favorable prices than clients will receive. To eliminate this conflict of interest, it is TAMI’s policy that neither TAMI nor our employees will have priority over client accounts in the purchase or sale of securities. Our written trade allocation policies state that client orders must be filled before an employee can transact on their own behalf or on behalf of TAMI. When client and employee orders are entered simultaneously, we ensure that all client trades are executed first (with the exception of trades for discretionary employee accounts which are managed centrally and for which trades are bunched with those of clients).

A potential conflict of interest may arise because an employee of TAMI has a significant interest in an issuer or a personal interest in a transaction. In certain circumstances specified in TAMI’s Code of Ethics, TAMI will not purchase securities of such an issuer for a client’s account without obtaining the client’s prior consent to the purchase transaction, after disclosing the employee’s personal interest with respect to such issuer. Furthermore, an employee with a significant interest in an issuer will not sell securities of such issuer without prior written approval of a senior officer of TAMI, who must conclude with documented reasons that such sale is not depriving client accounts of an opportunity to sell (e.g., it is not in clients’ interest to sell securities in their accounts at that time).

Cross Trades

TCC, as broker, may effect transactions for a TAMI client in which TCC may be the vendor or purchaser for any other customer or client of TCC. To the extent permitted by law and the policies of TCC and TAMI, TCC and/or

TAMI may cause a client's managed account to buy or sell securities directly from or to another client of TAMI, or from or to a client or customer of an affiliate of TAMI, including TCC, if such transaction is in the best interests of both such clients.

To the extent permitted by applicable law and regulations and consistent with TAMI's internal policies and procedures, TCC's practice is generally to engage in a "cross trade" where the purchase and sale of the same security at the same time by different clients can be completed on equal or more favorable terms to each client than through separate transactions not involving a cross trade. Effecting cross trades may reduce market impact costs, which can be detrimental to our clients. Cross trading also allows a portfolio manager to efficiently retain within its control institutional-size blocks of securities that otherwise would need to be sold in smaller amounts and reacquired in the market, which may be difficult to do. Such securities often are those that trade in lower volumes, with less frequency, and have larger bid-ask spreads.

TCC may receive commissions or commission equivalents from, and may have a potentially conflicting division of loyalties and responsibilities regarding, both parties to such cross transactions. In such cases, TAMI will obtain the written informed consent of the participating client(s) to the trade and TCC will charge a minimum ticket charge rather than its usual brokerage commissions.

ITEM 12 – BROKERAGE PRACTICES

In accordance with applicable laws and regulations with respect to our duty to seek "best execution", the commissions charged by TCC and other brokers or dealers may be one of many factors taken into account when we consider their execution capabilities. In certain circumstances, commissions may exceed those that other broker-dealers would charge. TCC also has policies and procedures in place that are designed to ensure that it is seeking best execution on behalf of TAMI's client orders.

TAMI currently does not enter into traditional soft dollar arrangements in which client brokerage is used to obtain investment research or other services from third parties (such as portfolio management systems, trading systems or databases). We believe that by not participating in traditional soft dollar arrangements, we may ultimately achieve lower commission costs for our clients, consistent with our duty to seek "best execution".

Although we have implemented the soft dollar policy as stated above, many brokerage firms provide "bundled" services that cannot be unbundled. For example, we may, either directly or indirectly through TCC, receive a brokerage firm's internal research materials in addition to trade execution, but will not be able to separate the cost of this research from the cost of trade execution. We will typically review this internal research in combination with our own research results and/or research products purchased from third parties.

The firm does not permit directed brokerage for client referrals.

TAMI may, but is not required to, aggregate orders for the purchase and sale of securities on behalf of managed accounts when we determine that such aggregation is in keeping with our obligation to seek best execution of purchase and sale orders for our clients. When we aggregate orders, the average price of all securities purchased or sold in such transactions may be determined and a client may be charged or credited, as the case may be, the average transaction price.

TAMI seeks to minimize the risk that any managed account could be advantaged or disadvantaged in connection with such aggregation and to ensure that all clients are treated fairly in the aggregation and allocation of portfolio transactions. TAMI has adopted policies dealing with the allocation of trade opportunities among its clients.

Clients don't generally receive commission benefits from trade aggregation because clients pay commissions to TCC based on standard commission rates applied to the value of each individual client account allocation, subject to minimum transaction charges.

ITEM 13 – REVIEW OF ACCOUNTS

Client managed accounts are monitored on a periodic basis by the firm's compliance personnel to ensure that the accounts are being managed in accordance with their specified objectives.

Formal client reviews are generally conducted at least annually by the applicable portfolio manager. The portfolio manager may also conduct reviews at the client's request and in the event of a material change in the client's investment objectives or circumstances.

Clients receive a quarterly portfolio statement from TAMI as of the last business day of the reporting period indicating the status of their portfolio, the realized and unrealized gains and losses in an account, a summary of the transaction activity in the account for the period, and the performance of the account since inception. In addition, we also send to each client a quarterly investment letter indicating our view of broad market trends as well as the rationale for investment strategies and individual holdings.

All clients holding taxable accounts receive from TAMI an annual tax report for each taxable account, following the end of each calendar year. Although these reports may be used to assist in the preparation of tax returns, they do not represent the advice or approval of tax professionals. We strongly recommend that clients consult with a tax professional before using this information on official tax returns. Further, clients should rely on the account statements and tax reporting forms provided by the account custodian.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

TAMI may from time to time compensate broker-dealers, investment advisory firms or other qualified solicitors not affiliated with TAMI for introducing clients to us. The agreement with any such persons requires that clients receive disclosure of such client referral activities. In particular, the client receives disclosure of this brochure, and a separate solicitor's written disclosure document which discloses to the client the nature of the relationship between TAMI and the solicitor and the referral fees to be paid. In these instances, TAMI pays to the solicitor a portion of the management fees earned by TAMI from such referred clients. No additional amount is added to TAMI's investment advisory fee as a result of the referring party's services or compensation.

ITEM 15 – CUSTODY

All client cash and securities are held in an investment account established in the client's name at a third party institution (each a "Custodian"). TAMI is authorized under the investment counsel agreement with clients to instruct the Custodian to deduct our fees from client assets held by the Custodian of the account. As a result, the Custodian is responsible for sending an account statement directly to each client, at least quarterly.

As previously stated under Item 13 above, clients also receive a quarterly portfolio statement from TAMI. Clients should carefully review the statements received from the Custodian and compare those statements against the portfolio statements received from TAMI.

ITEM 16 – INVESTMENT DISCRETION

In accordance with the investment counsel agreement, for our discretionary clients we retain authority to determine, without obtaining specific client consent, the securities to be bought or sold within the account. The management of each client account is guided by the information TAMI collects from the client prior to account opening, through a New Account Application Form. This information will include such things as the client's investment objectives, financial circumstances, time horizon and risk tolerance. TAMI also provides the

client the ability to place reasonable restrictions on the account, for instance, restricting us from buying securities of specific issuers or industries. Clients may also limit the amount of short selling (if it has been authorized by the client) or leverage (if authorized) to be used in the account.

ITEM 17 – VOTING CLIENT SECURITIES

We exercise voting authority on behalf of substantially all of our discretionary account clients according to the terms of the investment counsel agreement with us, which delegates discretionary voting rights to us.

We have developed a Proxy Voting Policy to ensure that, where we exercise voting authority over clients' proxies, we monitor corporate events and vote proxies in clients' best interests.

Our Proxy Voting Policy includes the general considerations and guidelines we may follow when voting proxies. Proxy voting will be managed by a Proxy Director designated by us, who will vote proxies based on the guidelines and other policies we have adopted. For some matters, the Proxy Director may obtain voting instructions from other persons.

We retain copies of (i) our proxy voting policies and procedures; (ii) all proxy statements received regarding client securities; (iii) records of votes we cast on behalf of clients; (iv) any documents prepared by us that were material to a voting decision; and (v) records of written client requests for proxy voting information and our written responses to any client request (written or oral).

We recognize that under certain circumstances we may have a material conflict of interest in voting proxies on behalf of our clients. A conflict of interest will be considered material to the extent that it is determined that such conflict has the potential to influence our decision-making in voting a proxy. Where a conflict exists, we vote proxies in our clients' best interest. Our Proxy Director will assess whether a conflict is material in consultation with senior management. In cases where a conflict exists, it may be resolved by (i) voting proxies based on pre-determined voting policies which removes our discretion with respect to any particular vote; (ii) consulting with legal counsel on how to vote proxies; (iii) seeking recommendations of an independent proxy voting agency; or (iv) seeking clients' consent to vote proxies in a particular manner or seeking clients' direction to determine how they wish to vote their proxies. Clients may obtain a copy of our Proxy Voting Policy upon written request to the Proxy Director.

ITEM 18 – FINANCIAL CONDITION

TAMI has no financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

ITEM 19 – REQUIREMENTS FOR STATE REGISTERED ADVISORS

Not applicable. TAMI is SEC-registered and therefore not state-registered.