

CEDAR LEGACY LLC

A Delaware limited Liability Company and SEC Registered Investment Adviser
CRD #306454

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THIS BROCHURE (THE “BROCHURE”) PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF CEDAR LEGACY LLC (THE “FIRM”). IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT (212) 786-7352 OR R.HANOMAN@KAICM.COM

THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (“SEC”) OR ANY STATE SECURITIED AUTHORITY.

ADDITIONAL INFORMATION ABOUT THE FIRM ALSO IS AVAILABLE ON THE SEC’S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

The delivery of this Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. This Brochure will supersede all other documents containing information about the Firm. Registration as an investment adviser does not imply a level of skill or training.

Material Changes

There are no material changes to report regarding our advisory business, as this is Cedar Legacy LLC's (the "Firm") initial Brochure.

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I. Part 2A – DISCLOSURE ITEMS ABOUT FIRM

Item 4. Advisory Business:

(A) **Operational and Organizational Information:** The Firm is a Delaware domiciled limited liability company that is registered with the SEC as an investment adviser. The Firm was formed in October, 2019. Hussein “Joe” Daher is the Firm’s sole owner and Managing Member. Robert Hanoman is the Firm’s Chief Compliance Officer. As stated on the cover page of this Brochure, registration as an investment adviser does not imply a level of skill or training.

(B) **Types of Advisory Services Offered:** The Firm currently offers tailored investment advisory services to separate account clients (“Clients”), which may involve discretionary and/or non-discretionary advice (“Services”). The terms of such Services are described in an investment management agreement (“IMA”) that is agreed upon between each Client and the Firm. The Firm’s affiliate, Kai Management Group, LLC (CRD#: 288191) (“KMG”), an Exempt Reporting Advisor, is the investment manager to pooled investment vehicles. The Firm intends to bring KMG under an umbrella registration by the Firm in the future.

The Firm does not hold itself out as specializing in a particular type of advisory service. Please review the Firm’s investment guidelines, specified below under “Client Investment Guidelines and Parameters.”

(C) **Client Investment Guidelines and Parameters:** The Firm typically tailors its advisory services to the individual needs of its Clients. In general, a minimum of \$250,000 of assets under management per account will typically be required in order for the Firm to offer Services. However, minimums may be waived in the sole discretion of the Firm. Clients may also impose restrictions on investing in certain securities or types of securities by specifying such restrictions in a written notice to the Firm. The Firm provides discretionary and/or non-discretionary investment advisory services to all fee paying Clients’ accounts. In connection with managing the investments of its Clients, such account’s IMA provides investment guidelines and parameters that describe the context within which the Firm renders its advisory services.

(D) **Wrap Fee Programs:** The Firm does not offer wrap fee programs.

(E) **Client Assets Under Management:** (*rounded to the nearest \$100,000*)

Discretionary: \$0.00 as of 10/31/2019

Non-discretionary: \$0.00 as of 10/31/2019

Item 5. Fees and Compensation:

- (A) **Generally:** All fees are individually negotiated. Circumstances considered when negotiating fees may include, without limitation, customary market rates, specialized guidelines, and other performance/incentive fee arrangements with the Client.

In general, Clients may pay an annualized asset-based fee ranging between approximately 0% to 1% based on the Client account's assets under management ("Management Fee"), see Item 5(B).

Asset based fees shall be calculated based on all of the applicable assets under management, including any margin balances. Asset under management values will be determined using market values on the last day of the quarter priced according to the Client's brokerage/holding statement on the last day of each quarter.

A pro rata Management Fee will be charged to Clients on any amounts accepted during a quarter. The Firm, in its sole discretion, may waive or reduce the Management Fee for any period of time, or agree to apply a different Management Fee for any Client (all such arrangements in the form of a rebate or otherwise).

A full description of the entire fee arrangement will be disclosed to the Client in such Client's IMA. Fees may be deducted directly from a Client's account, if so authorized by Client, and as specified in the relevant IMA.

If the IMA is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable Management Fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced Management Fee based on the available breakpoints, if any.

Fees charged by the Firm are separate and distinct from fees and expenses charged by mutual funds or money market funds which may also be recommended to Clients. A description of these fees and

expenses are available in each mutual fund's or money market fund's prospectus.

(B) Payment of Fees:

Management Fees: The Firm generally charges Management Fees on a quarterly basis. Specifically, Management Fees are calculated based on the assets managed by Firm as reflected on brokerage statements from the Client's custodian as of the last day of the preceding quarter. Management Fees are typically deducted from Client accounts by such Client's custodian. Upon a Client's request, such Client may be billed directly by the Firm, as an alternative.

Performance Fees: The Firm does not currently charge performance fees to its Clients.

Additional Fees and Expenses: Any program involving investment in an operating company, outside money managers, private funds and/or mutual funds involves additional fees. Such investments may also result in higher fees or commissions. Accordingly, such higher fees or commissions may not be suitable for certain Clients. For example, Clients may incur brokerage and other transaction costs. Clients should review carefully Item 12, which discusses conflicts of interest related to brokerage practices. Brokerage commissions and/or transaction ticket fees charged by the Client's custodian will be billed directly to the Client. The Firm will not receive any portion of such commissions or fees from the custodian or Client. In addition, Clients may incur certain charges imposed by third parties other than the Firm in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12(b)-1 fees, surrender charges, and IRA and qualified retirement plan fees. Management fees charged by the Firm are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to Clients. A description of these fees and expenses is available in each private fund and/or investment company security's prospectus or the issuers offering documents. Fees related to investments in private funds generally include a separate management fee in addition to the Firm's Management Fee, as well as other private fund expenses.

The Firm may trade Client accounts on margin. Each Client must sign a separate margin agreement before margin is extended to that Client account. Fees for advice and execution on these securities are based on the total asset value of the account, which includes the value of the securities purchased on margin. While a negative amount may show on a Client's statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market

value. This creates a conflict of interest where we have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved.

- (C) **Fees Paid in Advance:** The Firm does permit Clients to pay fees in advance.

Termination of Services: Either the Client or the Firm may terminate its respective IMA upon written notice to the other. The Management Fee will be pro-rated for the quarter in which the cancellation notice was given, and any unearned fees will be refunded to the Client. After the IMA has been terminated, transactions are processed at the prevailing brokerage rates. Client becomes responsible for monitoring their own assets and the Firm has no further obligation to act or provide advice with respect to those assets.

- (D) **Additional Compensation of Supervised Persons:** Neither the Firm nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

- Item 6.** **Performance Based Fees and Side-By-Side Management:** The Firm does not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a Client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the Fees and Compensation section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

- Item 7.** **Types of Clients:** The Firm offers tailored investment advisory services to Clients, which may involve discretionary and/or non-discretionary advice.

The Firm will seek to obtain from its Clients a full, clear and complete understanding of the Client's current financial situation, financial holdings, investment objectives, risk tolerance, and investment needs and wants. The Client is responsible for the accuracy and adequacy of information, records, and data provided to the Firm.

The Firm may also combine Client account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

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

- (A) **Methods of Analysis and Investment Strategies:** The investment process starts with establishing and then monitoring each Client's appropriate asset allocation. Each Client's risk tolerance and financial objectives, as they relate to asset allocation, will be considered in tailoring an allocation that is suitable for the Client. This allocation can potentially consist of a mixture of equities, cash equivalents, fixed income, options, commodities, mutual funds, ETFs, and/or investment in private funds and operating companies. The Firm also may invest opportunistically in other asset classes at its sole discretion. Certain strategies employed by the Firm may incur more risk than others may incur. The risk involved with these specific strategies should be evaluated by the Client prior to any Services being provided in order to ensure that the Client's goals, objectives, and financial situation is such that he or she is able to bear the risks inherent to these investments. Certain investment strategies may utilize a concentrated investment strategy. Concentrated portfolios generally hold the securities of a limited number of companies and, therefore, may be more volatile because the risk specific to each company may represent a larger portion of assets. It is likely that the performance of these portfolios will differ significantly from that of the broad equity market.

Investing in securities involves risk of loss that Clients should be prepared to bear.

- (B) **Risks Associated with Firm's Investment Strategies:** The Firm may offer tailored investment advisory Services to family offices, individuals, high net worth individuals, trusts, estates, corporations, and other business entities. As part of its Services, the Firm may choose or recommend mutual funds on behalf of Client accounts. The Firm will seek to obtain from the Client a full, clear and complete understanding of the Client's current financial situation, financial holdings, investment objectives, risk tolerance, and investment needs and wants. Client is responsible for the accuracy and adequacy of information, records, and data provided to the Firm. Services involving mutual funds involve additional fees. Such Services may also result in higher commissions being charged to the Client than if the Client did not participate in the program and paid brokerage commissions on a per transaction basis. Accordingly, such higher commissions may not be suitable for certain Clients. The Firm also provides year-end information to assist the Client in tax reporting.

No assurances can be given that this objective can be achieved and investment results may vary substantially over time and from period to period.

Charting Analysis - involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends.

Risk: Our charting analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Technical Analysis - involves studying past price patterns, trends and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

Risk: The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

Risk: The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Cyclical Analysis - a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions.

Risk: The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

Modern Portfolio Theory - a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets.

Risk: Market risk is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification.

Long-Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Risk: Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

Short-Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Risk: Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

Short Sales - Unlike a straightforward investment in stocks where you buy shares with the expectation that their price will increase so you can sell at a profit, in a "short sale" you borrow stocks from your brokerage firm and sell them immediately, hoping to buy them later at a lower price. Thus, a short seller hopes that the price of a stock will go down in the near future. A short seller thus uses declines in the market to his

advantage. The short seller makes money when the stock prices fall and loses when prices go up. The SEC has strict regulations in place regarding short selling.

Risk: Short selling is very risky. Clients should exercise extreme caution before short selling is implemented. A short seller will profit if the stock goes down in price, but if the price of the shares increase, the potential losses are unlimited because the stock can keep rising forever. There is no ceiling on how much a short seller can lose in a trade. The share price may keep going up and the short seller will have to pay whatever the prevailing stock price is to buy back the shares. However, gains have a ceiling level because the stock price cannot fall below zero.

Risks: A short seller has to undertake to pay the earnings on the borrowed securities as long as the short seller chooses to keep the short position open. If the company declares huge dividends or issues bonus shares, the short seller will have to pay that amount to the lender. Any such occurrence can skew the entire short investment and make it unprofitable. The broker can use the funds in the short seller's margin account to buy back the loaned shares or issue a "call away" to get the short seller to return the borrowed securities. If the broker makes this call when the stock price is much higher than the price at the time of the short sale, then the Client can end up taking huge losses.

Risk: Margin interest can be a significant expense. Since short sales can only be undertaken in margin accounts, the interest payable on short trades can be substantial, especially if short positions are kept open over an extended period.

Risk: Shares that are difficult to borrow – because of high short interest, limited float, or any other reason – have “hard-to-borrow” fees. These fees are based on an annualized rate that can range from a small fraction of a percent to more than 100% of the value of the short trade. The hard-to-borrow rate can fluctuate substantially on a daily basis; therefore, the exact dollar amount of the fee may not be known in advance, and may be substantial.

Margin Transactions - a securities transaction in which a Client borrows money to purchase a security, in which case the security serves as collateral on the loan.

Risk: If the value of the shares drops sufficiently, the Client will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." A Client's overall risk

includes the amount of money invested plus the amount that was loaned to them.

Option Writing - a securities transaction that involves selling an option. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell a particular security at a specified price on or before the expiration date of the option. When a Client sells a call option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. When a Client sells a put option, he or she must pay the strike price per share if the buyer exercises the option, and will receive the specified number of shares. The option writer/seller receives a premium (the market price of the option at a particular time) in exchange for writing the option.

Risk: Options are complex investments and can be very risky, especially if the Client does not own the underlying stock. In certain situations, a Client's risk can be unlimited.

Trading - We may use frequent trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Frequent trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk. This may include buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses.

Risk: When a frequent trading policy is in effect, there is a risk that investment performance within your account may be negatively affected, particularly through increased brokerage and other transactional costs and taxes.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.**

We will not perform quantitative or qualitative analysis of individual securities. Instead, we will advise you on how to allocate your assets among various classes of securities or third party money managers. We primarily rely on investment model portfolios and strategies developed by the third party money managers and their portfolio managers. We

may replace/recommend replacing a third party money manager if there is a significant deviation in characteristics or performance from the stated strategy and/or benchmark.

Tax Considerations

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.

Risk of Loss

Investing in securities involves risk of loss that you 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. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Other Risk Considerations

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective client before retaining our services.

Liquidity Risk: The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price or it may not be possible to sell the investment at all.

Credit Risk: Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

Inflation and Interest Rate Risk:

Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

Horizon and Longevity Risk: The risk that your investment horizon is

shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

Recommendation of Particular Types of Securities

We recommend various types of securities and we do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided below.

Stocks: There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual Funds and Exchange Traded Funds: Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some

mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match the underlying index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their underlying indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its underlying index, or its weighting of investment exposure to such securities may vary from that of the underlying index. Some ETFs may invest in securities or financial instruments that are not included in the underlying index, but which are expected to yield similar performance.

Limited Partnerships: A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner does not usually invest any capital, but has management authority and unlimited liability. That is, the general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and confine their participation to their capital investment. That is, limited partners invest a certain amount of money and have nothing else to do with the business. However, their liability is limited to the amount of the investment. In the worst-case scenario for a limited partner, he/she loses what he/she invested. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership.

Money Market Funds: A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some, or all, of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund

rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tends to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

Municipal Securities: Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

Options Contracts: Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). The two types of options are calls and puts:

A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

Selling options is more complicated and can be even riskier.

The option trading risks pertaining to options buyers are:

- Risk of losing your entire investment in a relatively short period of time.
- The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call

option) or if the stock is higher than the strike price of the put (for a put option).

- European style options which do not have secondary markets on which to sell the options prior to expiration can only realize its value upon expiration.
- Specific exercise provisions of a specific option contract may create risks.
- Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

The option trading risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration.
- Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock.
- Writers of Naked Calls risk unlimited losses if the underlying stock rises.
- Writers of Naked Puts risk unlimited losses if the underlying stock drops.
- Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker.
- Writers of call options could lose more money than a short seller of that stock could on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader.
- Writers of Naked Calls are obligated to deliver shares of the underlying stock if those call options are exercised.
- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.
- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may surge or ditch unexpectedly, leading to automatic exercises.

Other option trading risks are:

- The complexity of some option strategies is a significant risk on its own.
- Option trading exchanges or markets and option contracts themselves are open to changes at all times.
- Options markets have the right to halt the trading of any options, thus preventing Client's from realizing value.
- Risk of erroneous reporting of exercise value.

- If an options brokerage firm goes insolvent, Clients trading through that firm may be affected.
- Internationally traded options have special risks due to timing across borders.

Risks that are not specific to options trading include market risk, sector risk and individual stock risk. Option trading risks are closely related to stock risks, as stock options are a derivative of stocks.

Real Estate: Real estate is increasingly being used as part of a long-term core strategy due to increased market efficiency and increasing concerns about the future long-term variability of stock and bond returns. In fact, real estate is known for its ability to serve as a portfolio diversifier and inflation hedge. However, the asset class still bears a considerable amount of market risk. Real estate has shown itself to be very cyclical, somewhat mirroring the ups and downs of the overall economy. In addition to employment and demographic changes, real estate is also influenced by changes in interest rates and the credit markets, which affect the demand and supply of capital and thus real estate values. Along with changes in market fundamentals, v Clients wishing to add real estate as part of their core investment portfolios need to look for property concentrations by area or by property type. Because property returns are directly affected by local market basics, real estate portfolios that are too heavily concentrated in one area or property type can lose their risk mitigation attributes and bear additional risk by being too influenced by local or sector market changes.

Real Estate Investment Trust: A real estate investment trust ("REIT") is a corporate entity which invests in real estate and/or engages in real estate financing. A REIT reduces or eliminates corporate income taxes. REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges. REITs are required to declare 90% of their taxable income as dividends, but they actually pay dividends out of funds from operations, so cash flow has to be strong or the REIT must either dip into reserves, borrow to pay dividends, or distribute them in stock (which causes dilution). After 2012, the IRS stopped permitting stock dividends. Most REITs must refinance or erase large balloon debts periodically. The credit markets are no longer frozen, but banks are demanding, and getting, harsher terms to re-extend REIT debt. Some REITs may be forced to make secondary stock offerings to repay debt, which will lead to additional dilution of the stockholders. Fluctuations in the real estate market can affect the REIT's value and dividends.

PIPES: In a Private Investment in Public Equity ("PIPE") transaction, Clients typically purchase securities directly from a publicly traded

company in a private placement. Depending on the structure of the transaction, this can be done at a premium to or at a discount from the market price of the company's common stock. Because the sale of the securities is not pre-registered with the U.S. Securities and Exchange Commission ("SEC"), the securities are "restricted" and cannot be immediately resold by the Clients into the public markets. Accordingly, the company will usually agree as part of the PIPE transaction to register the restricted securities with the SEC. Thus, the PIPE transaction can offer the company the speed and predictability of a private placement, while providing Clients with a nearly liquid security. Risks of investing in PIPES include but may not be limited to substantial entry requirements, limited liquidity, limited Client control, potential for unfunded commitments, and loss of investment.

Structured Products: A structured product, also known as a market-linked product, is generally a pre-packaged investment strategy based on derivatives, such as a single security, a basket of securities, options, indices, commodities, debt issuances, and/or foreign currencies, and to a lesser extent, swaps. Structured products are usually issued by investment banks or affiliates thereof. They have a fixed maturity, and have two components: a note and a derivative. The derivative component is often an option. The note provides for periodic interest payments to the Client at a predetermined rate, and the derivative component provides for the payment at maturity. Some products use the derivative component as a put option written by the Client that gives the buyer of the put option the right to sell to the Client the security or securities at a predetermined price. Other products use the derivative component to provide for a call option written by the Client that gives the buyer of the call option the right to buy the security or securities from the Client at a predetermined price. A feature of some structured products is a "principal guarantee" function, which offers protection of principal if held to maturity. However, these products are not always Federal Deposit Insurance Corporation insured; they may only be insured by the issuer, and thus have the potential for loss of principal in the case of a liquidity crisis, or other solvency problems with the issuing company. Investing in structured products involves a number of risks including but not limited to: fluctuations in the price, level or yield of underlying instruments, interest rates, currency values and credit quality; substantial loss of principal; limits on participation in any appreciation of the underlying instrument; limited liquidity; credit risk of the issuer; conflicts of interest; and, other events that are difficult to predict.

Competition Generally: The securities industry and the varied strategies and techniques to be engaged in by the Firm are extremely competitive and each involves a degree of risk. The Firm will compete with firms, including many of the larger securities and investment

banking firms, which have substantially greater financial resources and research staffs. Further, lower fees for comparable services may be available from these or other firms.

Market Volatility: The profitability of the investments chosen by the Firm substantially depend upon the Firm correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. The Firm cannot guarantee that it will be successful in accurately predicting price and interest rate movements.

Accuracy of Public Information: The Firm may select investments for a Client, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Firm by the issuers or through sources other than the issuers. Although the Firm evaluates certain such information and data and sometimes seeks independent corroboration when the Firm considers it appropriate and when it is reasonably available, the Firm is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.

Disruptions or Inability to Trade Due to a Failure to Receive Timely and Accurate Market Data from Third-Party Vendors: The Firm's strategy may depend on the receipt of timely and accurate market data from third-party vendors. Any failure to receive such data in a timely manner or the receipt of inaccurate data for any reason could disrupt and adversely affect the Firm's trading until such failure or inaccuracy is corrected.

Electronic Trading Facilities: The Firm may make use of electronic trading facilities (including ECNs), which are generally supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Trading on an electronic trading system (including an ECN) may differ not only from trading in an open-outcry market or telephonic market but also from trading on other electronic trading systems. The Firm, in undertaking transactions on an electronic trading system, will be exposed to risk associated with the system including the failure of hardware and software. The result of any system failure may be that a Client's order is either not executed according to its instructions or is not executed at all. The Firm's ability to limit or recover certain losses may be subject to limits on liability imposed by, without limitation, foreign or domestic law or regulation, the Firm's own or its broker's internet service provider, other systems providers, market factors,

foreign or domestic banking or other market regulations and/or telephonic or other communications providers, foreign or domestic.

Use of Automated Order Routing and Execution Systems

Generally: The Firm may use automated order routing and execution systems in its trading. Such systems are typically provided on an "as is" basis. Such systems may experience technical difficulties which may render them temporarily unavailable. In addition, such systems may fail to properly perform. Such failures may result in losses to a Client, for which losses the providers of such services have disclaimed all liability. In an effort to mitigate such risks, the Firm intends to closely monitor trades executed through automated order routing and execution systems and the operation of the systems themselves.

Trading Errors: The Firm utilizes third-party electronic trading systems. Such trading systems rely on the ability of its operators to accurately process such systems' inputs and outputs and to use the proper trading orders, including stop-loss or limit orders, to execute the transactions called for by the systems. Both third-party and Firm systems are accordingly subject to human errors in addition to errors in properly executing transactions. This could cause substantial losses on transactions, and any such losses could substantially and adversely affect the performance of the Client. See "Brokerage Practices" herein.

Investments in Non-U.S. Investments: The Firm's central focus is global investing and, as such, the Firm expects that at times a substantial portion of a Client's assets will be committed to non-US financial assets. Investments in non-U.S. securities and other assets (through ADRs and otherwise), will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and non-U.S. issuers and markets are subject. Such risks may include:

- Political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
- Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.
- Non-U.S. securities and other assets often trade in currencies other than the U.S. dollar, and a Client may directly hold foreign currencies and purchase and sell foreign currencies through forward exchange contracts. Changes in currency exchange rates will affect a

Client's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of a Client's investments to decline. Some foreign currencies are particularly volatile. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the Client's foreign currency holdings. If a Client enters into forward foreign currency exchange contracts for hedging purposes, it may lose the benefits of advantageous changes in exchange rates. On the other hand, if a Client enters forward contracts for the purpose of increasing return, it may sustain losses.

- Non-U.S. securities and other markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Foreign countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about the operations of issuers in such markets.

Custody and Prime Brokerage Risk: There are risks involved in dealing with the custodians or prime brokers who settle Client trades. The Firm maintains custody accounts with independent custodians ("Custodians"). Although the Firm monitors the Custodians and believes it is an appropriate custodian, there is no guarantee that the Custodians will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of Client assets, a Client would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

A Client and/or the Custodians may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Client. The Custodians may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Client as a result of the bankruptcy or insolvency of any such sub-custodian. The Client may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a fund by a custodian may not be available to the Client. Under certain circumstances, including certain transactions where the Client's assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the Custodians, or where the Client's assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the Client and hence the Client could be exposed to a

credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of a Client to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as a Client may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing a Client's rights to its assets in the case of a bankruptcy or insolvency of any such party.

Risks Associated with Leverage: The Firm may use leverage for certain Client accounts. In the event that the Firm determines that leverage is appropriate in its provision of Services, the Firm may use borrowed funds and/or investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Firm purchases securities for a Client account with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of an account. If the interest expense on borrowings were to exceed the net return on the investments made with borrowed funds, the Firm's use of leverage would result in a lower rate of return than if an account was not leveraged.

If the amount of borrowings outstanding for a Client account at any one time is large in relation to such account's capital, fluctuations in the market value of the account will have disproportionately large effects in relation to the account's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of a Client account to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to a Client account, the net asset value of the account will generally decline faster than would otherwise be the case.

Certain of the Firm's trading and investment activities may be subject to U.S. Federal Reserve Board ("FRB") margin requirements, which

are computed daily by a self-clearing broker-dealer. For example, the FRBs Regulation T permits a broker to lend no more than 50% of the purchase price of “margin stock” bought by a Client. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a “margin call” on the Client is made. If the Client does not deposit additional funds with the broker to meet the margin call within a reasonable time, the Client’s position may be closed out. In the event of a precipitous drop in the value of the assets managed by the Firm, it might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to the Firm’s trading activities on behalf of a Client account, the account, and not the Firm, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Clients should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

Risks Associated with Non-Diversification: The Firm intends to hold diversified positions; however, it is not subject to any formal policies regarding diversification. The Firm may sometimes concentrate holdings in industries, geographic regions or companies which, in light of investment considerations, market risks and other factors, that it believes will provide the best opportunity for attractive risk-adjusted returns. The concentration of assets in a small number of issuers, in any one industry or a small number of industries, or in a single industry would subject Clients to a greater degree of risk with respect to the failure of one or a few investments or with respect to economic variations in relation to such industry or industries.

Cyber Security Breaches and Identity Theft: The information technology systems of the Firm and its third-party service providers may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Firm and its third-party service providers have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Firm may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant

interruptions in the Firm's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to account holder, beneficial owners or Client. Such a failure could harm the Firm's reputation, subject any such entity and its respective affiliates to legal claims and otherwise affect its business and financial performance.

Risk of Default or Bankruptcy of Third Parties: The Client may engage in transactions in securities and other financial instruments and assets that involve counterparties. Under certain conditions, the Client could suffer losses if a counterparty to a transaction were to default or if the market for certain securities or other financial instruments or assets were to become illiquid. In addition, the Client could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Client does business, or to which securities or other financial instruments or assets have been entrusted for custodial purposes.

Additional Counterparty Risk: Many of the markets in which the Client effects its transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. This exposes the Client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the relevant contract or because of a credit or liquidity problem, thus causing the Client to suffer a loss. Such risk may be accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Client has concentrated its transactions with a single or small group of counterparties.

The foregoing list of risk factors does not purport to be a complete analysis or explanation of the risks associated with the Firm's investment strategies and with an investment in an SMA. Prospective Clients should read their IMA for a more detailed explanation of the investment strategy and risk factors and consult with their own advisors before deciding whether to invest.

Item 9. Disciplinary Information:

Neither the Firm nor any supervised person has been involved in any legal or disciplinary event that is material to a Client's or prospective Client's evaluation of the Firm's advisory business, management or Services.

(A) A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the Firm or a management person:

1. Was convicted of, or pled guilty or nolo contendere (“no contest”) to: (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses. **No.**
2. Is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses. **No.**
3. Was found to have been involved in a violation of an investment-related statute or regulation. **No.**
4. Was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order. **No.**

(B) An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which Firm or a management person:

1. Was found to have caused an investment-related business to lose its authorization to do business. **No.**
2. Was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority:
 - (a) Denying, suspending, or revoking the authorization of Firm or a management person to act in an investment-related business. **No.**
 - (b) Barring or suspending Firm’s or a management persons association with an investment-related business. **No.**
 - (c) Otherwise significantly limiting Firm’s or a management person’s investment-related activities. **No.**

- (d) Imposing a civil money penalty of more than \$2,500 on Firm or a management person. **No.**
- (C) A self-regulatory organization (SRO) proceeding in which the Firm or a management person:
 - 1. Was found to have caused an investment-related business to lose its authorization to do business. **No.**
 - 2. Was found to have been involved in a violation of the SROs rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500. **No.**

Item 10. Other Financial Industry Activities and Affiliations:

- (A) Neither the Firm nor its management persons are registered or have an application pending to register as a broker-dealer or registered representative thereof.
- (B) Neither the Firm nor its management persons are registered or have an application pending to register as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor or other associated person of the foregoing entities.
- (C) Neither the Firm nor its management persons have a relationship or arrangement that is material to the Services or to Clients with regard to the following entities.
 - 1. Broker-dealer, municipal securities dealer, or government securities dealer or broker. **No.**
 - 2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund). **No.**
 - 3. Other investment adviser or financial planner. **No.**
 - 4. Futures commission merchant, commodity pool operator, or commodity trading advisor. **No.**
 - 5. Banking or thrift institution. **No.**
 - 6. Accountant or accounting firm. **No.**
 - 7. Lawyer or law firm. **No.**
 - 8. Insurance company or agency **No.**
 - 9. Pension consultant. **No.**

10. Real estate broker or dealer. **No.**

11. Sponsor or syndicator of limited partnerships. **No.**

(D) The Firm does not select other investment advisers for its Clients.

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

(A) **Code of Ethics:** A copy of the code of ethics (“Code of Ethics”) is available upon request to Clients or prospective Clients.

The Code of Ethics sets forth the Firm’s policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that the Firm and each of its employees has to each of its Clients. The Code of Ethics is circulated at least annually to all employees, and each employee, at least annually must certify in writing that he or she has received and followed the Code of Ethics and any amendments thereto.

The Code of Ethics requires all personnel to: (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of the Firm; (3) observe the Firm’s personal trading policies so as to avoid “front-running” and other conflicts of interests between the Firm and its Clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by the President and that personnel who violate the Code of Ethics are subject to sanctions by the Firm, up to and including termination in the discretion of the President.

Other Policies and Procedures of Firm

Trade Error Policy: The Firm has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, the Firm will use reasonable efforts to correct the error. The Firm will endeavor to maintain a record of each trade error, including information about the trade and how such error was corrected or attempted to be corrected.

Activities of Firm and its Affiliates: Neither the Firm, nor any affiliate or employee, is required to manage Client accounts as its sole and exclusive function. Each of them may engage in other business activities, including competing ventures and/or other unrelated employment. In addition to managing Client accounts, the Firm, and its respective affiliates or employees may provide investment advice to other parties and may manage other accounts in the future.

Privacy Policy: The Firm's adopted privacy policy explains the manner in which the Firm collects, utilizes and maintains nonpublic personal information about Clients, as required under federal legislation. The Firm maintains safeguards that comply with federal standards to protect Client information. The Firm restricts access to the personal and account information of Clients to those employees who need to know that information in the course of their job responsibilities. Third parties with whom the Firm shares Client information must agree to follow appropriate standards of security and confidentiality. Firm's privacy policy applies to both current and former Clients. Firm may disclose nonpublic personal information about a former Client to the same extent as for a current Client.

- (B) Associated persons of the Firm may recommend to Clients the purchase or sale of investment products in which it or a related person entity may have some financial interest, including but not limited to, the receipt of compensation. Records will be maintained of all securities bought and sold by associated persons or related entities.

Participation or Interest in Client Transactions and Personal Trading: The Firm recognizes the importance that the personal securities transactions of its employees are conducted in a highly ethical manner, and the Firm requires that all such transactions be carried out in a way that seeks to not adversely impact the interest of any Client. At the same time, the Firm believes that if investment goals are similar for Clients and for employees of the Firm, it is logical and even desirable that there be common ownership of some securities. Therefore, in order to address conflicts of interest, the Firm has adopted a set of procedures, included in its Code of Ethics, with respect to transactions effected by its officers, directors and employees (hereafter, "Employees") for their personal accounts. In order to monitor compliance with its personal trading policy, the Firm has adopted a quarterly securities transaction reporting system for all of its Employees. For purposes of the policy, an Employees "personal account" generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or (c) which the Employee controls, including the Firm's Client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.

Associated persons of Firm may recommend to Clients the purchase or sale of investment products in which it or a related person may have some financial interest. Records will be maintained of all securities bought and sold by associated persons and related persons.

Additionally, the Code of Ethics sets forth the Firm's policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that the Firm and each of its Employees has to each of its Clients. The Code of Ethics is circulated at least annually to all Employees, and each Employee, at least annually must certify in writing that he or she has received and followed the Code of Ethics and any amendments thereto.

- (C) The Firm or a related person may invest in the same securities (or related securities, e.g., warrants, options or futures) that the Firm or a related person recommends to Clients.

See our response to Items 11 (A)-(B), above.

- (D) The Firm or a related person may recommend securities to Clients, or buys or sells securities for Client accounts, at or about the same time that the Firm or a related person buys or sells the same securities for its own (or the related persons own) account.

See our response to Items 11 (A)-(B), above.

Item 12. Brokerage Practices:

Factors that the Firm considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation are described herein.

- (A) **Factors Considered in Selecting or Recommending Broker-Dealers:** Securities transactions for Client accounts are executed through brokers selected by the Firm in its sole discretion. In placing portfolio transactions, the Firm will seek to obtain the best execution for Client accounts, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected and the efficiency of error resolution, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; special execution capabilities; clearance; settlement; reputation; on-line pricing; block trading and block positioning capabilities; willingness to execute related or unrelated difficult transactions in the future; order of call; on-line access to computerized data regarding Client's accounts; performance measurement data; the quality, comprehensiveness and frequency of available research and related services considered to be of value; the availability of stocks to borrow for short trades; and the competitiveness of commission rates

in comparison with other brokers satisfying the Firm's other selection criteria. Client accounts shall bear brokerage costs as set forth in the relevant IMA.

1. "Soft Dollar" Policy.

The Firm does not currently have any formal "soft dollar" arrangements. However, the Firm reserves the option to use "soft dollars" generated by Client account transactions to pay for the research and non-research related services described above in the future. The term "soft dollars" refers to the receipt by an investment adviser of products and services provided by brokers, without any cash payment by the investment adviser, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment advisers Clients. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), provides a "safe harbor" to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment adviser in the performance of investment decision-making responsibilities. In the event the Firm elects to use its soft dollars for payment of all or a portion of the Firm's or its affiliates administrative costs and expenses of operation such as office rent, office equipment and supplies, utilities, employee benefits and salaries, newswire and quotation equipment, data processing charges, periodical subscription fees, computer equipment, telephone and facsimile charges and equipment costs, record-keeping services, consulting fees, issuer due diligence expenses, placement fees and other marketing costs, and legal and accounting fees, as more fully described above, such uses of soft dollars are not within the safe harbor afforded by Section 28(e) of the Exchange Act.

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of the Firm or its affiliates creates a conflict of interest between the Firm and Clients because the Clients pay for such products and services that are not exclusively for the benefit of Clients and that may be primarily or exclusively for

the benefit of the Firm. To the extent that the Firm is able to acquire these products and services without expending its own resources (including management fees paid by Clients), the Firm's use of soft-dollars would tend to increase the Firm's profitability. In addition, the availability of these non-monetary benefits may influence the Firm to select one broker rather than another to perform services for Clients. The Firm has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on a Client's interest in receiving the most favorable execution. Moreover, the Firm may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits. In the event that the Firm uses soft dollar benefits, the Firm will use such benefits to service all Client accounts rather than only those accounts that paid for the benefits.

The Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce Clients to the Firm, provided that any such fee or commission will be paid solely by the Firm or its affiliates and no portion thereof will be paid by Clients.

- a. When the Firm uses Client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Firm receives a benefit because the Firm does not have to produce or pay for the research, products or services. *Please refer to Item 12.(A)(1).*
- b. The Firm may have an incentive to select or recommend a broker-dealer based on the Firm's interest in receiving the research or other products or services, rather than on Client's interest in receiving most favorable execution. *Please refer to Item 12.(A)(1).*
- c. The Firm may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). *Please refer to Item 12.(A)(1).*
- d. The Firm may use soft dollar benefits to service all Clients or only those Clients that paid for the benefits. The Firm may or may not seek to allocate soft dollar benefits to Clients proportionately to the soft dollar credits the accounts generate. *Please refer to Item 12.(A)(1).*

- e. The types of products and services the Firm or any related persons acquired with Client brokerage commissions (or markups or markdowns) within Firm's last fiscal year were: *Please refer to Item 12.(A)(1).*
- f. The procedures the Firm used during its last fiscal year to direct transactions to a particular broker-dealer in return for soft dollar benefits the Firm received were: *Please refer to Item 12.(A)(1).*

2. Brokerage for Client Referrals:

- (a) The Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce Clients to the Firm, provided that any such fee or commission will be paid solely by the Firm or its affiliates and no portion thereof will be paid by Clients. As a result, the Firm may have an incentive to select or recommend a broker based on the Firm's interest in receiving Client referrals rather than on Client's interest in receiving most favorable execution. Because such referrals, if any, are likely to benefit the Firm but will provide an insignificant (if any) benefit to Clients, the Firm will have a conflict of interest with Clients when allocating Client brokerage business to a broker who has referred Client to the Firm. To prevent Client brokerage commissions from being used to pay referral fees, the Firm will not allocate Client brokerage business to a referring broker unless the Firm determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to Clients.
- (b) The Firm reserves the right to provide direct compensation to brokers who refer Clients to the Firm for participation in the proprietary strategy in the form of a portion of the fees received by adviser. This compensation, if any, will not result in any additional charges being imposed on a Client.

3. Directed Brokerage:

- (a) The Firm does not recommend, request, or require a Client to direct the Firm to execute transactions through a specified broker-dealer.
- (b) The Firm may permit a Client to direct the Firm to execute transactions through a specified broker-dealer if agreed to in the relevant IMA. Clients that direct brokerage may not receive as favorable commission rates as compared to non-directed broker-dealers.

(B) **Allocation of Transactions and Aggregation of Trades:** The Firm does not anticipate having the ability to aggregate transactions among broker-dealers. To the extent the Firm is able to aggregate among broker-dealers, it will do so in the best interest of its Clients and apply the standards described herein. Transactions implemented by the Firm for accounts may be effected independently or on an aggregated basis. The Firm anticipates that it may decide to purchase or sell the same securities for several Clients at approximately the same time. The Firm will aggregate orders when it believes aggregation may prove advantageous to Clients. When the Firm aggregates Client orders, the allocation of securities among Client accounts will be done on a fair and equitable basis. Typically, the process of aggregating Client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among Clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and execution cost and will be allocated among the Firm's Clients in proportion to the purchase and sale orders placed for each Client account on any given day. When the Firm aggregates Client orders for the purchase or sale of securities, including securities in which its associated person(s) may invest, the Firm will do so in a fair and equitable manner. It should be noted that Firm does not receive any additional compensation or remuneration as a result of aggregation.

Item 13. Review of Accounts:

- (A) All accounts managed by the Firm are reviewed, at least on a monthly basis by a Firm principal, to assure conformity with Client objectives and guidelines. In addition, all accounts are reviewed in light of emerging trends and developments as well as market volatility. Clients are responsible for keeping the Firm informed as to any changes in their personal financial condition. The Firm cannot make any material changes to a Client's portfolio if it is not informed of the Client's particular developments.

- (B) The calendar is the main triggering factor of a review of an account, although more frequent reviews may be also be triggered by changes in a Client's circumstances, Client request, or unusual market activity. Clients may be contacted periodically by the Firm to discuss the management and performance of their account.
- (C) Monthly, quarterly and/or annual reports covering an account's holdings and activity will be provided by the Firm and/or the Client's custodian firm. These reports, including trade confirmations and/or monthly statements, will typically identify the account holdings and a current valuation of such holdings. A Firm principal will be available to assist the Client in reviewing and understanding such reports.

Item 14. Client Referrals and Other Compensation:

The Firm does not receive any economic benefit associated with advising Clients, such as sales awards or prizes. The Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce Clients to the Firm, provided that any such fee or commission will be paid solely by the Firm or its affiliates and no portion thereof will be paid by Clients. The Firm will use independent third party solicitors to refer Clients and pay a portion of its advisory fees to such solicitors, in accordance with the Advisers Act.

Item 15. Custody:

As stated above in Item 13, Review of Accounts, the Clients qualified custodian will send monthly account statements directly to Clients which Clients should carefully review. Clients are urged to compare statements that are received from the qualified custodian to statements received directly from the Firm.

Item 16. Investment Discretion:

The Firm intends to have both discretionary and non-discretionary investment authority over Client assets that are managed by the Firm. Such discretionary or non-discretionary investment authority shall be described in the relevant Client's IMA.

Item 17. Voting Client Securities – Proxy Policy:

The Firm's general policy is to not vote proxies on behalf of Clients, unless specifically negotiated and set forth in the individual IMA. In the absence of such an agreement whereby the Firm does vote proxies, it is the responsibility of each Client to vote all proxies for securities held in the account. Clients will receive proxies directly via their preferred delivery method, which is established at the time that the Client opens the account with the Firm. In the presence of an agreement by which the Firm is assigned proxy voting authority for a Client, the Firm will notify the custodian that the Firm is authorized to vote all proxies for securities in such Client's portfolio and instruct the custodian to forward to the Firm a copy of all proxies relating to shares held in the account. The Firm will vote all proxies in a prudent manner and solely in the interest of such Client. In addition, the Firm will not act upon notices pertaining to class actions, but will forward such notices to the Client. If a proxy is received after the termination of the advisory services by a Client, then the proxy will not be voted, but will be forwarded directly to the former Client. Clients may contact the Firm by telephone or by email regarding any such solicitation.

Item 18. Financial Information:

- (A) The Firm does not solicit prepayment of fees from any Client in advance.
- (B) Because the Firm has discretionary authority over and/or custody of Client fund or securities, the Firm has disclosed, as follows, any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients:

The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients.

- (C) The Firm has not been the subject of a bankruptcy petition during the past ten years.

Item 19. Requirements for State-Registered Investment Advisers:
Not applicable.