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Registered Investment Adviser

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Investment Adviser Brochure

(Form ADV Part 2A)

MARCH 2019

This brochure provides information about the qualifications and business practices of Kahn Brothers Advisors LLC. If you have any questions about the contents of this brochure, please contact Kahn Brothers Advisors LLC at 212-980-5050 or inquiry@kahnbrothers.com. Neither the United States Securities and Exchange Commission nor any state securities authority have approved or disapproved the information in this brochure. Registration as an investment adviser does not imply a certain level of skill or training. You should rely only on information contained in this document or that we have referred you to. We have not authorized anyone to provide you with information that is different.

ITEM 2: Material Changes

This item describes any material changes that have been made to this brochure since its last annual filing in March 2018.

- The brochure has been revised to comply with the Form ADV “Plain English” provisions.
- In Item 5 (“Fees and Compensation”), we have added information concerning mutual and money market fund share classes and the 12b-1 fees that may be associated with them.
- In Item 17 (“Voting Client Securities”), we changed the advance notice requirement for individual voting of proxy ballots in discretionary accounts to five business days prior to the annual meeting.
- We made changes to the opening sentence of Item 10 (“Other Financial Industry Activities and Affiliations”) to correct an error concerning our and our management persons’ affiliations with our in-house broker-dealer, Kahn Brothers LLC. While references to these affiliations appeared correctly throughout last year’s ADV brochure, they were incorrectly stated in this particular sentence.
- In Item 10, we added information concerning Andrew Kahn’s role at two firms that share common management with our firm.

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ITEM 4: Advisory Business

Kahn Brothers Advisors LLC (“we” or “the Firm”) are a wholly owned subsidiary of Kahn Brothers Group, Inc., and a Registered Investment Adviser founded in July of 1978.

As of December 31, 2018, we had \$623,250,948 of assets under management, \$599,359,281 on a discretionary basis and \$23,891,667 on a non-discretionary basis. All funds are custodied at outside institutions including Pershing LLC (a subsidiary of The Bank of New York Mellon Corp.), Charles Schwab & Co. Inc., J.P. Morgan and Morgan Stanley Smith Barney LLC. We are privately held with one principal owner, Kahn Brothers Group, Inc.

Our clients include individuals and families, as well as institutions like pension funds and foundations. For discretionary accounts, we allow considerable customization within our value investing framework, as well as customization on a non-discretionary basis. However, you must be familiar and comfortable with our investment approach. For more information on our approach, please see Item 8 (“Methods of Analysis, Investment Strategies & Risk of Loss”).

We primarily invest in publically-traded equities. We employ a modified Graham and Dodd value investing style that we have developed and employed since our inception in 1978. Our strategy traces its roots to our founding chairman, Irving Kahn, who was a teaching assistant at Columbia Business School to Benjamin Graham, an early proponent of value investing and fundamental analysis. Our principals have been using investment strategies modified from Graham’s fundamental value approach throughout their professional careers.

Our investment strategy seeks long-term annualized total returns that exceed its benchmark while maintaining reasonable protections against permanent loss of capital. Our managers focus on long-term performance over many years and across market cycles. The time horizon of a typical investment is three to five years or longer.

Our managers seek securities that trade below or at reasonable levels relative to their “intrinsic values.” Intrinsic value can be measured in many ways, and we tend to use a variety of methods dependent on the circumstances, including book value, tangible book value, earnings power value, discounted cash flow models, sum-of-the-parts value, replacement value, and multiples of cash flow and income measures, among other methods. We seek to invest in securities with prices that have been depressed in a manner that we believe to be disproportionate or abnormal in light of a particular company’s prospects for improved financial condition and reasonable market expectations in a reasonable economic environment. After we have identified a security that trades at a reasonable or undervalued price, we may seek to identify potential catalysts that could unlock that value and cause the price to rise to a level more reflective of the security’s true valuation.

We primarily employ bottoms-up, fundamental analysis of investments, seeking a detailed understanding of target companies, their industries, and the positions of those companies relative to competitors. We analyze multiple sources of information, including direct interaction with company managements and analyses of public filings and various other sources. Macroeconomic factors are also considered in our investment process, but do not drive our decision-making.

Our managers seek value opportunities wherever we may find them, in companies large and small and across the spectrum of the world’s industries. The most important criterion to the purchase of an investment is an attractive ratio of the security’s price to its intrinsic value.

Although we do not sponsor any wrap fee programs, our clients who engage outside financial institutions for various bundled services including brokerage services may be subject to wrap fee programs. We currently manage accounts pursuant to wrap fee programs sponsored by Morgan Stanley Smith Barney LLC. We charge these clients our customary advisory fees, which may be in addition to fees charged by the outside financial institution. Additionally, we also manage portfolios at individually contracted rates for

clients who have been referred by financial consultants. There is no difference in the manner in which we manage accounts with wrap fee programs or individually contracted rates and accounts without such programs or rates.

ITEM 5: Fees and Compensation

We provide investment advisory services to discretionary and non-discretionary accounts for which we charge an advisory fee based upon a percentage of assets in the portfolio. We generally charge 1% of assets under management, but the fee is negotiable, may be larger or smaller than 1% and may, in some instances, exclude cash and equivalents or unsupervised assets. The assets are appraised at market value at the end of each calendar quarter.

Advisory fees will generally be paid by you at the start of the calendar quarter. Your portfolio's assets are appraised at the market value at the end of each preceding calendar quarter. Although not typical, you may pay advisory fees in arrears or at a cycle date mutually agreed between you and us. Advisory fees are computed by applying one-quarter of the annual rate to the preceding quarter-end market value. Advisory fees may be deducted directly from your portfolio or can be billed to you and paid by check or in a manner mutually agreed between you and us.

Although not typical, we may assess performance-based fees in some client accounts. If applicable, such fees are negotiated per mutual agreement between you and us as a part of your overall billing arrangement. For more information, please see Item 6 ("Performance-Based Fees and Side-By-Side Management").

If you wish to terminate your advisory contract with us, you must present a written termination notice to us. Most of our advisory contracts specify a requirement of 60 days advance written notice to receive a prorated reimbursement of the current quarter's advisory fee. However, at our sole discretion, we may waive the required notice period.

You may incur additional fees or expenses charged by outside institutions in connection with our services. These may include but are not limited to custody fees from your custodian institution and mutual fund expenses from any mutual funds you are invested in. If you are not in a wrap fee program, you will incur separate brokerage commissions from your broker-dealer when securities transactions occur.

Although we often use an affiliated broker-dealer, Kahn Brothers LLC, to transact many of our securities transactions for clients, you may engage broker-dealers that are not affiliated with us. If you use the brokerage services of Kahn Brothers LLC, that firm will receive commissions pursuant to the commission arrangement between it and you. Neither Kahn Brothers LLC nor we charge "mark-ups." For more information on our brokerage arrangements, please see Item 9 ("Brokerage Practices").

If you employ an outside institution for certain bundled financial services like custody, brokerage and advisory services, you may be engaged in a wrap fee program. A wrap fee program is a financial services product sponsored by certain outside institutions that generally carries a single fee covering a variety of "wrapped" services such as custody, brokerage and advisory services. Clients of these programs may engage us as an investment manager or sub-advisor. We currently manage accounts pursuant to wrap fee programs sponsored by Morgan Stanley Smith Barney LLC. We charge all wrap fee accounts our customary advisory fees in addition to any fees charged by the institution sponsoring the wrap fee program. In addition to these types of accounts, we also manage portfolios at individually contracted rates for clients who have been referred by financial consultants. There is no difference in the manner in which we manage accounts under wrap fee programs or individually contracted rates and accounts without such programs or rates.

We and our affiliated businesses do not provide our employees with special compensation for promoting particular securities or investment products. Such compensation presents a conflict of interest and is against company policy.

When acting as investment adviser or in other fiduciary capacities, we may hold or invest your assets in mutual funds, money market funds, annuities or other pooled investments ("Funds"). Such funds are generally bought and sold at net asset value, resulting in no direct sales charge to the client account. The fund management companies and their affiliates charge various commissions or management fees for their services, as described in their prospectuses. These commissions and fees are separate from, and in addition to, the fees that you pay to us.

For clients who engage our affiliated broker-dealer, Kahn Brothers LLC, a portion of the commissions or fees charged by Fund management companies or their affiliates for investments in certain share classes may be paid to Kahn Brothers LLC or to third-party service providers for administrative services. Such payments are governed by Rule 12b-1 of the Investment Company Act of 1940, as amended. The fees (known as "12b-1 fees") are generally less than 1.0% of the average annual share value of Fund shares. When 12b-1 fees arise from fund assets, or assets held in the subaccounts of annuities, life insurance policies or other similar products, they are retained or credited to Kahn Brothers LLC or our third-party service providers, for our or their own account(s).

For clients engaging Kahn Brothers LLC, we invest your assets in Funds carried on Pershing's platform. Currently, each Fund carried on Pershing's platform in which we invest your assets has only a single share class available on the platform. But in the event that we invest your assets in funds in which there is more than one share class available on the platform, we will have a financial incentive to recommend or select share classes that result in higher compensation to us through the payment of 12b-1 fees. This creates a conflict of interest between us, the investment manager who may receive fees connected to a particular share class, and you, the client for whom the recommendation or selection is being made. To mitigate such conflict of interest, we will take measures to ensure the appropriateness of the fund share class selection, based upon your particular investment objectives and any other appropriate considerations relevant to such share class selection. In taking such measures, we will seek to place your funds in the share class with lower fees, absent extenuating factors that make a higher fee share class more appropriate for you.

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

A performance-based fee is a form of compensation that an investment manager assesses in proportion to the profits earned in a client's portfolio. These fees may be subject to certain limitations specified in the agreement between you and the investment manager.

We currently assess performance-based fees in a small number of accounts. Each of these fee arrangements varies based on the individualized compensation terms negotiated between us and the client. However, it is generally a negotiated percentage of the net profits of the account adjusted for contributions and withdrawals, and it may be subject to limitations, such as a high water mark and/or performance hurdle.

Performance-based fees can incentivize managers to perform well for their clients. However, they can also encourage managers to speculate or to take greater risks than they would otherwise take in the absence of such fees. Performance-based fees can also create a conflict of interest when an investment manager manages accounts with performance-based fees alongside accounts without such fees. When this side-by-side management exists, managers may be encouraged to give favor or offer more or better services to these accounts that have the performance-based fees.

We and our affiliated businesses are aware of these potential conflicts and it is our policy to manage all accounts on an equal basis regardless of the presence or absence of performance-based fees. Our principals, chief compliance officer and supervisory employees continually monitor our personnel to ensure that this policy is followed.

ITEM 7: Types of Clients

We work with a range of types of clients that may include high net worth individuals and families, pension funds, foundations, endowments, trusts and retirement accounts, among others. We have historically low client turnover, and new clients are admitted at our discretion. Although we have no formal restrictions on the size of new portfolios, we prefer incoming clients to have a minimum of mid-seven-figures in investable assets. We may waive this policy at our sole discretion and may also admit smaller accounts that exist as a part of a family or institutional group. Our new client policies allow us to continue to provide our current clients with personalized service and valuable one-on-one meetings with our investment management team.

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

We employ a modified value investing style that seeks an attractive total return on capital over long periods of time with reasonable protections against permanent loss of capital.

Our late founding chairman, Irving Kahn, was a colleague and disciple of Benjamin Graham, one of the first theorists to articulate the principles of value investing and fundamental analysis. Our investment strategy has been deeply influenced by his original principles.

We manage investments primarily in publically-traded equities but may also transact other securities, such as (but not limited to) American Depository Receipts, investment fund shares, warrants, rights and fixed income and derivative securities. We may engage in long or short transactions, although short selling is highly irregular for us. We focus on long-term performance over years or decades. The duration of a typical investment is three to five years or longer.

Our investment decisions are based on a modified value investing strategy which relies primarily on a bottoms-up process of fundamental analysis of securities. Our managers seek a detailed understanding of target companies, their industries and the positions of these companies relative to competitors. When possible, our managers engage in direct dialog with company managements. Our managers review and analyze many sources of information including company filings and varied outside sources. We do not employ technical analysis. Macroeconomic factors are considered in the investment process but do not drive decision-making.

Within our modified value investing paradigm, we use many sources and methods to find investment opportunities. We seek businesses that we believe are undervalued, have downside protection and have strong competitive positions. We seek stocks whose prices we believe to be cheap relative to “intrinsic value.” The most important criterion in making a new investment is an attractive price to value ratio.

We employ a variety of methods and metrics to determine intrinsic value, including (but not limited to) book value, tangible book value, earnings power value, discounted cash flow models, sum-of-the-parts value, replacement value, and income-derived and cash-flow-derived multiples. Our managers select securities, one at a time, based on equity valuations, operating performance metrics and long-term fundamental business prospects, among other characteristics. After we have identified a security that trades at a discounted or acceptable price as compared to its intrinsic value, we look for circumstances that might unlock that value and cause the price to rise to a reasonable or fully-priced level as compared to that value.

If there are very few values to be found in a given period, we are comfortable holding cash and equivalents, rather than placing your capital in speculative, overpriced securities. We will not invest in an overpriced market simply to have you “fully invested.” We would rather wait patiently for attractive situations to arise.

Our managers seek value opportunities wherever they may find them, in companies large and small and across the spectrum of the world's industries. However, we tend to focus on securities trading in U.S. markets.

We prefer companies whose managements hold meaningful stakes in their company shares and are thus more inclined to protect their own, as well as the shareholders', interests. We are less comfortable with situations in which management has poorly aligned compensation packages or nominal ownership interests.

Our investment process may often be characterized as "contrarian." Our managers may look for out-of-favor stocks or stocks in depressed economic sectors, rather than seeking out the popular industries or industry leaders of the day. This means that we may invest in companies that, at the time of purchase, appear to be unattractive from the perspective of the prevailing mainstream public or broad market viewpoint. Buying at depressed levels is a hallmark of successful value investing. As a result, we often look for situations in which our analysis suggests the downturn affecting a company is temporary. Such situations may include investments in what are termed "fallen angels," which are companies that have been successful in the past but have suffered temporary and resolvable problems while maintaining the capacity for material improvement in the future. We may also invest in "special situations" in which the potential upside of the investment is heavily dependent on a material corporate action.

We may purchase stock in micro, small or medium capitalization companies or in companies with large amounts of closely-held shares. Such securities may be traded more infrequently, in smaller quantities, or in the less liquid over-the-counter market. These companies often have a smaller following among securities analysts and institutional investors. A low level of institutional ownership increases the likelihood of inefficient pricing, which can help to create the bargain opportunities we seek. As with all investments, you should be familiar with the characteristics and trading liquidity of these securities if they are ever recommended or purchased. You will find information on the risks of small and illiquid securities below.

All investments in securities, including those transacted by us, involve a risk of realized loss of capital that clients should be prepared to bear. We strive to mitigate this risk by refraining from the purchase of securities that we deem to be overpriced and by employing a long-term investment strategy that can help to safeguard against permanent loss in periods of short-term volatility. However there is no guarantee that our strategy or our analysis of an investment will be correct, and realized losses may occur.

In general, investing is subject to many risk factors, some of which are within our control and some of which are not. Factors out of our control include varied economic, political and social events that may negatively affect investments. Increased volatility of the markets may lead to adverse investment performance for periods of time. If investors are forced to or elect to liquidate investments when volatility has driven a stock's price below cost, this will result in a realized loss.

Some types of investments that we may infrequently make have inherent risks particular to them as described below:

- Short sales, however rarely used, carry a risk of loss that is theoretically unlimited. Potential monetary losses on short sales have no upward bounds.
- Fixed-income investments carry varied risks, including interest rate risk, credit risk and reinvestment risk, among others types of risk.
- Interest-rate sensitive securities, including preferred equity securities, have interest-rate risk associated with them.
- Investments in option contracts carry various risks including, for long positions, the potential for 100% loss of premium; for uncovered short calls, a potential for loss that is theoretically unlimited;

and, for options in general, a potential for losses that are significantly levered relative to the amount of one's original investment.

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

Our modified value investing approach is just one particular investment style. There is a broad universe of different styles, each with its own advantages and disadvantages. There is a wide array of opinions on the strengths and weaknesses of each style. You should be aware that any discretionary investment with us will be made according to our modified value investing style—other styles will not be employed. Therefore, discretionary investments with us will not be diversified by investment methodology. We invest most often in the public equities markets. Accordingly, discretionary investments with us will most likely not be diversified by asset class. However, you may always diversify your investments by style or asset class on a non-discretionary basis.

There will be times when the market becomes overpriced as a whole, and, during these times, underpriced and attractive investments may become harder to identify. In such a market, we may prefer to hold large amounts of cash and equivalents in your account rather than investing in securities that we deem risky due to overpricing. You should understand that, during these periods, your cash and equivalents may produce little to no return depending on prevailing interest and inflation rates. We are more comfortable holding cash and equivalents that earn little to no return than purchasing overpriced, risky securities.

As with any long-term investment, there is the potential for your holdings to incur unrealized losses for periods of time and for your portfolios to underperform benchmark indices for periods of time. This is a natural part of a long-term investment's lifecycle. There will be times, particularly early in an investment, when a security's price may be low enough to be unattractive to sell. There may also be times when the price will be low enough to produce a realized loss if sold. Absent highly unusual circumstances, we will not recommend exiting investments during these periods. Accordingly, you should be prepared to hold your investments during these periods and, in some cases, at our recommendation, to increase your investments at the reduced prices that have presented themselves. If, against our advice, you instruct us not to increase your position when a security's price has decreased, you may realize a return below expectations. If you choose to exit an investment during a period of underperformance, you may incur a realized loss or a return below expectations that you should be prepared to sustain.

ITEM 9: Disciplinary Information

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

ITEM 10: Other Financial Industry Activities and Affiliations

The following management persons at our firm are registered as registered representatives of our affiliated broker-dealer, Kahn Brothers LLC: Thomas Kahn, Andrew Kahn and William Knox.

Neither we nor any of our management personnel is registered or has a pending application to register as a futures commission merchant, commodity pool operator, commodity trading advisor or associated person of any of the foregoing entity types.

We do not recommend or select other investment advisers for our clients from which we receive directly or indirectly compensation that creates a material conflict of interest.

We and our management personnel are affiliated with a number of entities that are relevant to our and their advisory business and/or clients. Please see the below relevant Items within this Brochure for information on the potential conflicts of interest that could arise in connection with these relationships:

- (1) related to brokerage and execution, see Item 9 (“Brokerage Practices”),
- (2) related to investment recommendations, see Item 8 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”),
- (3) related to fees, see Item 2 and Item 3 (“Advisory Fees” and “Performance-Based Fees and Side-By-Side Management” respectively).

Affiliated Entities:

- Kahn Brothers LLC, an affiliated broker-dealer, managed by our principals with many clients in common with us. The following management persons have positions with Kahn Brothers LLC: Thomas Graham Kahn, Chairman, President, Director and a significant investor; William DeLuca, Senior Vice-President and Secretary; Kenneth Rodwogin, Senior-Vice President and Director; William Knox, Senior Vice-President; Paula Cutrone, Senior Vice-President and Director, and Andrew Kahn, Vice-President and Director.
- KB Group Asset Management LLC, an affiliated investment entity with no clients. The following management persons have positions with KB Group Asset Management LLC: Thomas Graham Kahn, Chairman, President, Director and a significant investor; William DeLuca, Senior Vice-President and Secretary; Kenneth Rodwogin, Senior-Vice President and Director; William Knox, Senior Vice-President; Paula Cutrone, Senior Vice-President and Director, and Andrew Kahn, Vice-President and Director.
- Kahn Brothers Asset Management Corp., a Registered Investment Adviser to a limited partnership that is managed by our principals. The following management persons have positions with Kahn Brothers Asset Management Corp: Thomas Graham Kahn, Chairman, President, Director and a significant investor; William DeLuca, Vice-President; and Andrew Kahn, Vice President and Director.
- KB & Partners Management Co. LLC, a Registered Investment Adviser to a limited partnership that is managed by our principals. The following management persons have positions with KB & Partners Management Co. LLC: Thomas Graham Kahn, Chairman, President, Director and a significant investor; William DeLuca, Vice-President; and Andrew Kahn, Vice-President and Director.

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

We have a Code of Ethics that serves as a guide for understanding lawful and ethical conduct by our employees. Our principals believe that our good reputation is a direct reflection of the conduct and professionalism of our employees. Our employees are expected to comply with the Code of Ethics unconditionally.

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

Before entering into an investment advisory relationship with us you are advised that we and our employees own or may own directly or indirectly the same securities that we will recommend and transacted for you. If we or our principals or employees have a material financial interest in a company that we are currently recommending, this interest will be disclosed to you before dispensing investment advice on that company or making a discretionary investment in that company.

Our employees must (a) provide independent, impartial advice; (b) ensure that our advice is suitable to your investment objectives, needs and circumstances; (c) obtain best execution for your transactions when we, our employees or their families are also transacting the same security; and (d) safeguard your personal, non-public information. The provisions relating to your personal, non-public information applies during and after the employment term of our employees.

The Code of Ethics also strictly prohibits any actions that are or can be construed as being unethical or illegal. This includes actions that are or may be interpreted as fraudulent, deceptive or manipulative. Trading on material, non-public information (also known as “insider information”) is strictly forbidden under our Code of Ethics as well as by U.S. federal law. We have a “zero tolerance” policy against seeking out or transacting on insider information or employing deceptive devices or practices.

Our Code of Ethics also describes our policies on personal securities transactions. It is our policy to allocate purchases and sales of securities fairly among our advisory clients and to always give the client priority over us, our affiliated entities and their related parties. When placing orders, our employees must be aware of other pending orders in that same security to ensure proper prioritization of transactions and best execution for our clients. When possible, we prefer to have these trades executed on different days to remove a conflict of interest that can arrive when placing these transactions in the same trading session. Our officers regularly review all transaction activity in advisory, employee and related entity accounts to ensure that this policy is honored.

We and our related persons will not recommend or transact for you securities in which we or they have material financial interest beyond that of an ordinary passive investor without first disclosing to you this fact and explaining the conflicts of interest that would exist in such a situation. We and our affiliated businesses and their related persons own or may own directly or indirectly shares of companies that we recommend as investments. Generally, an investment adviser may be biased towards recommending such investments regardless of their merits or suitability to the client. However, we believe that this conflict is mitigated in a number of ways. First, positions taken by us, our affiliated businesses and their related persons are typically done under the same modified value investing strategy we employ in your portfolio. Second, the positions taken by these entities are almost always passive. Third, these positions, as they relate to you, are in publicly-traded securities that are not materially affected by additional investments of the size executed by you or on your behalf.

Regarding bias in the recommendation of such investments, we believe it is to your benefit to have your managers' financial interests aligned with your financial interests to the greatest degree possible. Accordingly, we maintain a policy of "eating our own cooking," which means we only recommend investments to you that our principals and employees would or have invested in themselves. We consider this policy to be in your best interest. However, to ensure that a conflict does not arise from such transactions, it is our practice that at least two of our senior officers review our daily transactions log for anomalies and transactions that suggest a conflict of interest has manifested.

All violations or observed violations of the Code of Ethics must be promptly reported to our Chief Compliance Officer who will take the required remedial actions.

Our Code of Ethics is available to you upon request.

We and our related persons do not buy or sell securities from our clients. Some of our principals are also principals of two other investment firms, Kahn Brothers Asset Management Corp. and KB & Partners Management Co. LLC, both of which serve as investment advisers for respective limited partnerships. Although not common, our principals may solicit you to make investments in these partnerships. These partnerships have largely identical investment strategies to the one we employ for our clients. There may be a conflict of interest in that the fee structure for you in these partnerships could be dissimilar to the fee structure of your client account with us. In some cases and in some billing periods, the fees may be greater; in others, they may be less. We address this conflict by fully describing to you the two fee structures, their differences, if any, and the conflicts of interest that would be associated with them. More on this topic and how it is addressed can be found in Item 2 and Item 3 ("Advisory Fees" and "Performance-Based Fees and Side-By-Side Management" respectively).

ITEM 12: Brokerage Practices

You may select any broker-dealer of your choosing. However, we have an affiliated broker-dealer, Kahn Brothers LLC, which executes trades for a significant number of our advisory clients.

Although most of our clients elect to broker with Kahn Brothers LLC, you may choose any broker-dealer with which to transact in your portfolio so long as that broker-dealer permits us, as the investment adviser, to manage your portfolio on your behalf. If engaging both us and Kahn Brothers LLC, you will receive information in your introductory materials on, first, the relationship between the two firms and, second, Kahn Brothers LLC's commission structure and how it may differ from those of other firms. Aside from the foregoing, we generally do not recommend broker-dealers to our clients. However, if you request a broker-dealer recommendation, one will be provided. No compensation for client referrals will be received by us in connection with the recommendation.

Brokerage commissions in the United States are generally negotiable. Commission arrangements are typically specified by you and formalized in your Investment Advisory Agreement.

You are advised that if you commence a relationship with Kahn Brothers LLC you will, in all likelihood, not receive the lowest execution charges available. However, our principals believe that the combined costs of advisory fee to Kahn Brothers Advisors LLC and commissions to Kahn Brothers LLC are, in total, reasonable compensation for the combined services that are rendered. Neither we nor our affiliated broker-dealer charges mark-ups.

Occasionally, Kahn Brothers LLC or your unaffiliated broker-dealer may have multiple client orders in the same security. When this occurs and if possible, the broker-dealer's order room may aggregate these orders if it believes that doing so will effectuate a more favorable execution for the client. Unfilled aggregated orders with Kahn Brothers LLC are allocated to client portfolios on a pro rata or first come first serve basis (if applicable to the transaction).

We do not purchase investment research, products or services in exchange for soft dollar benefits. While we do have access to investment research through our relationships with data providers like Thomson Reuters and Bloomberg, we primarily generate our own internal research and may obtain source material from firms with which we do not have formal business relationships.

You are advised that using a broker-dealer that is affiliated with your own investment adviser can create incentives for that investment adviser to generate unnecessary trading activity in your account. However, We believe that our investment strategy, which employs long holding periods and infrequent trading, strongly discourages this behavior and may actually result in a much lower rate of turnover of securities than might be experienced with investment advisers that use more short-term-oriented investment strategies. As a precaution, our senior employees monitor transactions in client accounts to ensure appropriate trading frequencies and volumes.

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

ITEM 13: Review of Accounts

Our senior officers make an effort to review all discretionary accounts on a frequent and periodic basis. Accounts are typically reviewed monthly, although some accounts may be reviewed more or less frequently at our managers' discretion. Although material events in our clients' holdings may trigger more frequent reviews, our principals believe that this interval is appropriate for the review of accounts following our long-term, low-turnover investment strategy.

Reviews are conducted by our president, Thomas Graham Kahn, our senior vice-president, William Knox, and our vice-president Andrew Kahn. Evaluations involve, among other factors, analyses of the timing and availability of other attractive investments that are suitable for you, your portfolio's cash position, and the concentration of company and sector positions relative to your total portfolio. Reviews consider these factors in the context of your investment goals, restrictions and short-term and long-term financial needs.

General market conditions and company and industry-specific news are also tracked on a continuous, pro-active basis. Significant corporate events, as well as changes in your financial or social circumstances may trigger additional portfolio reviews.

You will receive printed quarterly portfolio appraisals that are generated by our internal portfolio tracking software. These appraisals display the account's holdings by name, weight, cost and current market value. If you wish to receive these appraisals more or less frequently or on a different cycle, this can be arranged at your request.

ITEM 14: Client Referrals and Other Compensation

We currently do not receive economic benefits from non-clients in exchange for investment advice to our clients. We also have no compensated referral arrangements with any consultants or solicitors. However, in the future, we may pay financial consultants or solicitors for referring clients to us. In such instances, this type of compensation will only occur if the relationship with such consultant or outside individual, as well as his or her compensation, is disclosed in the relevant client's Investment Advisory Contract and Disclosure Document for such solicitor. Both of these documents will be signed by the referred client when such client begins an investment advisory relationship with us. Such client will also be advised that he/she/it may pay higher total fees for services obtained through a consultant or solicitor than through a direct relationship. Additional services provided by a consultant or solicitor, if any, must be negotiated between the client and the consultant or solicitor.

ITEM 15: Custody

Neither we nor our affiliated broker-dealer, Kahn Brothers LLC, will custody your assets. All of our clients custody their assets at outside institutions. Our clients who broker with Kahn Brothers LLC typically custody assets at Pershing LLC, a subsidiary of The Bank of New York Mellon Corp, however, assets may be custodied at any qualified custodian institution. Clients who custody assets at Pershing LLC are not required to retain Kahn Brothers LLC for brokerage services.

In addition to receiving quarterly appraisals from us, you will also receive statements from your chosen custodian institution. You should carefully review these statements and appraisals, as well as all transaction confirmations from the broker-dealer. We urge you to compare and reconcile the appraisals you receive from us with the statements they receive from your custodian institution and broker-dealer.

ITEM 16: Investment Discretion

Our clients generally grant us broad discretionary authority over their portfolios. You may, however, place restrictions on this authority. For example, you may set parameters for investment, such as desired allocations, position sizes or bans on the purchase of individual companies, industries or asset classes. You may add the provision that discretionary authority only be exercised after first contacting you or a third party that has been granted power of attorney over your account. You may specify any such parameters for discretionary investments so long as those parameters do not unduly restrict us from implementing our investment strategy.

You must sign an Investment Advisory Agreement and/or a Trading Authorization before we may take investment discretion over your portfolio. The Investment Advisory Agreement gives us power of attorney over your portfolio. If you were referred to us by a consultant or solicitor you must also sign the Disclosure Document of such solicitor.

ITEM 17: Voting Client Securities

Our clients typically grant us the authority to vote proxy ballots of invested companies on their behalf. When granted this authority, we vote through electronic voting platforms provided by third-party providers (which are commonly used by publicly-traded companies) or by telephone or USPS mail. Clients who have not granted us this authority will receive their proxy ballots directly from their custodian or broker-dealer, not from us.

We follow our internal proxy voting policies when voting ballots on behalf of clients who have granted us voting authority. These policies instruct us to vote in a manner that, in our opinion, maximizes the long-

term financial interests of the client with respect to his or her holdings in the company. We vote proxy ballots after a thorough review of the proxy material. After such review and absent specific reasons or concerns to the contrary, we may vote as recommended by the management of the company.

If you grant us the authority to vote proxy ballots but wish to vote a particular ballot or proposal individually you may do so by notifying us at least five business days in advance of the vote at 212-980-5050 or accountservices@kahnbrothers.com. Upon receiving such notice, we will vote as you instruct, or will provide you with voting instructions to execute the vote on your own.

If you would like to know how we voted a particular ballot or proposal, you may contact us at 212-980-5050 or accountservices@kahnbrothers.com.

If we believe that a material conflict of interest exists with respect to voting a proxy, we may resolve it in a number of ways. If the conflict pertains to a particular employee, then that employee may recuse him or herself from the process of voting that particular proxy. If the conflict pertains to us as a whole, then we may request that you vote your own proxy for that particular security.

Upon request, we will provide you with a copy of our proxy voting policies and procedures.

ITEM 18: Financial Information

We have no financial conditions that are reasonably likely to impair our ability to meet our contractual commitments to you. Neither we nor our predecessor company has ever been the subject of a bankruptcy petition. We do not require or solicit prepayment of fees six months or more in advance.