

# **Kahn Brothers Asset Management Corp.**

## **Registered Investment Adviser**

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## **Investment Adviser Brochure**

(Form ADV Part 2A)

MARCH 2024

This brochure provides information about the qualifications and business practices of Kahn Brothers Asset Management Corp. If you have any questions about the contents of this Brochure, please contact Kahn Brothers Asset Management Corp. at 212-980 5050. 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**

Since our last annual amendment of this ADV Part 2A in March of 2023, we have made material changes to Item 8: Methods of Analysis, Investment Strategies and Risk of Loss that removes or edits the risks concerning pandemics, world conditions and events, and specific types of securities and investments and to Item 10: Other Financial Industry Activities and Affiliations that adds a management person.

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#### **ITEM 4:       ADVISORY BUSINESS**

Kahn Brothers Asset Management Corp. (“We” or the “Firm”) is a Registered Investment Adviser founded and registered with the SEC in 1988. The Firm provides investment advisory services and certain administrative services to Kahn Brothers Value Fund LP (the “Partnership” or “Client”), a Limited Partnership formed for the purpose of investment. In addition to acting as the investment adviser, we serve as the general partner to the Partnership. As of December 31, 2023, we managed approximately \$18,100,000 of assets on a discretionary basis and \$0 on a non-discretionary basis. We are privately held and principally owned by Thomas Graham Kahn.

We invest primarily in publicly-traded equities, although we may transact other types of securities. We employ a modified Graham and Dodd value investing style that we have developed over time since the inception of our affiliate, Kahn Brothers Advisors, 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 this fundamental value approach throughout their professional careers.

Our investment strategy seeks long-term total returns exceeding our benchmark with 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.

In providing services to the Partnership, we (i) manage the Partnership’s assets in accordance with the terms of the Partnership’s Private Placement Memorandum and individual Limited Partnership agreements (the “Offering Documents”); (ii) formulate investment objectives; (iii) direct and manage the investment and reinvestment of the Partnership’s assets; and (iv) provide periodic reports to Limited Partners. Investment restrictions for the Partnership, if any, are generally established in the Offering Documents.

The Adviser neither sponsors wrap fee programs nor manages accounts subject to wrap fee programs.

#### **ITEM 5:       FEES AND COMPENSATION**

We provide investment advisory and management services to the Partnership with full discretion.

As the Partnership’s investment adviser, we are compensated by a management fee that is based upon a percentage of total portfolio assets in the Partnership’s portfolio at the time of assessment. In our capacity as general partner, we may also receive a performance-based allocation or incentive allocation that is calculated based on the investment performance of the Partnership’s account over the period assessed.

##### *Management Fee*

Our management fee is assessed at the close of each fiscal quarter of the Partnership at a rate of 1/16<sup>th</sup> of 1% of the Partnership’s total portfolio assets at the close of each fiscal quarter of the

Partnership before such fee is accrued. The advisory fee is subject to negotiation between us and the Limited Partners of the Partnership and may change in the future.

### *Incentive Allocation*

Our incentive allocation, if any, is determined at the end of each fiscal year of the Partnership. If during the fiscal year, the net profits allocated to the capital account of a Limited Partner exceed the net losses, there is a reallocation, as of the end of the fiscal year, to our capital account, of an amount equal to 20% of the current year's excess as adjusted for withdrawals and contributions made during the fiscal year. The allocation is subject to a 6% performance hurdle rate on the Limited Partner's opening capital as adjusted for additional capital contributions and withdrawals.

### *Partnership Expenses*

Prior to joining the Partnership, all prospective Limited Partners receive the Governing Documents and are made aware of the fee structure and the terms of the Partnership by us.

The Partnership will incur certain fees or expenses, including but not limited to, custodian fees or mutual fund expenses charged by outside institutions in connection with the services offered by us, in addition to other costs and expenses incurred in connection with the formation, operation, and management of the Partnership.

The Partnership will incur separate brokerage commissions from its broker-dealer when securities transactions occur. Currently, the Partnership uses an affiliated broker-dealer, Kahn Brothers LLC, to transact securities trades. That broker-dealer charges a commission rate that has been negotiated between the Partnership and us. All investors in the Partnership are made aware of this arrangement and that commissions from the broker-dealer are higher than those charged by many third-party unaffiliated broker dealers. Neither we nor the broker-dealer charges "mark-ups." For more information on the brokerage arrangement between the Partnership and Kahn Brothers LLC, please refer to Item 12: Brokerage Practices.

We and our affiliated businesses do not provide our employees with special compensation for promoting as a sales practice particular securities or investment products.

When acting as investment adviser or in other fiduciary capacities, we may hold or invest the Partnership's 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.

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 our affiliated broker-dealer, 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).

We invest the Partnership's assets in Funds carried on Pershing's platform. Currently, each Fund carried on the platform in which we invest the Partnership's assets has only a single share class available on the platform. But in the event that we invest in Funds for which there are multiple available share classes, we have a financial incentive to select those share classes that result in higher compensation to our affiliated broker dealer through the payment of 12b-1 fees. This creates a conflict of interest between us, the investment manager whose affiliate may receive fees connected to a particular share class, and the Partnership and its investors, 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 the Partnership's investment objectives and any other appropriate considerations relevant to such share class selection. In taking such measures, we will seek to place the Partnership in the Fund share class with lower fees, absent extenuating factors that make a higher fee share class more appropriate for the Partnership.

A limited partner is entitled to request a withdrawal of funds from its capital account as of the last business day of each fiscal year upon 60 days' prior written notice to us or by such other date and by such other notice and/or terms as we, in our sole discretion, may determine and permit. We may charge a fee equal to 5 percent of the amount being withdrawn by a Limited Partner who has not been a partner for at least three years. Such fee may be waived by us, at our sole discretion.

#### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

At the close of the fiscal year, we may be entitled to a performance-based fee in addition to our advisory fee. The performance-based fee, if earned, is assessed in proportion to the profits earned in your capital account subject to certain limitations. For more information on our fees, please refer to Item 5 ("Fees and Compensation").

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 those accounts that have the performance-based fees.

In addition, because the Management Fees and Incentive Allocations are based directly on the net asset value of the Partnership, we have a conflict of interest in valuing the assets held. In order to mitigate this conflict, we have established formal policies governing the valuation of the Partnership's investments and will routinely consult recognized and independent pricing services for timely and accurate valuations.

Although we have only one client, our principals manage accounts for clients of our affiliated businesses as well (please refer to Item 10: Other Financial Industry Activities and Affiliations for additional information). While most of these accounts do not incur performance-based fees, we

and our affiliated businesses are aware of the conflict of interest that arises from side-by-side management of clients across our affiliated businesses, and we have adopted policies and procedures to operate in a manner whereby our client and our affiliates' clients are treated fairly and equitably, regardless of the presence or absence of performance-based fees. Our principals, Chief Compliance Officer and supervisory employees monitor our personnel to ensure that these policies are followed.

#### **ITEM 7:           TYPES OF CLIENTS**

We provide investment advisory services to the Partnership, subject to our direction and control as the General Partner and the investment adviser, and not individually to Limited Partners. Limited Partners may include high net worth individuals, pension funds, foundations, endowments, trusts, individual retirement accounts and other types of institutional and non-institutional investors that meet the requirements of being accredited investors under U.S. securities laws.

All new Limited Partners are admitted into the Partnership at our sole discretion. Although we have no formal restrictions on the size of new investments in the partnership, we prefer incoming investors to have a minimum of mid-seven-figures in investable assets. We may waive this policy at our sole discretion. Our policies and process to evaluate prospective investors are mindful of the need to continue to provide our current investors 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 reasonable protections against permanent loss of capital while achieving long-term total returns exceeding our benchmark

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 Graham's and his disciples' original principles.

We manage investments primarily in publicly-traded equities but may also transact other securities, such as (but not limited to) American Depositary Receipts, investment fund shares, warrants, rights and fixed income and derivative securities. We may engage in long or short transactions, although short selling is generally not employed. We focus on long-term performance over many years. 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 bottom-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 and other primary sources. Our managers review and analyze many sources of information including company filings and varied outside resources. 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 strategy, we use many sources and methods to find investment opportunities. We seek businesses that we believe are undervalued, have downside protection and may have strong competitive positions or attractive positioning within their markets. We seek stocks whose prices we believe to be underpriced 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) income-derived and cash-flow-derived multiples, discounted cash flow models, earnings power value, book value, tangible book value, sum-of-the-parts value and replacement value. 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 may seek value opportunities wherever they may find them, in companies large and small and across industries, but 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 undervalued 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 undervalued 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 what we believe to be 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, although generally not used, carry risks that include but are not limited to 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 but not limited to interest rate risk, credit risk and reinvestment risk, among other types of risk.
- Interest-rate sensitive securities, including preferred equity securities, have risks including but not limited to interest-rate risk.
- Investments in options contracts carry various risks including but not limited to, 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 aggressively priced securities, you should be aware that there are risks particular to this strategy. It is possible that the market may underprice 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, there is a risk that these companies or industries may not make the desired improvements and 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 or in the Partnership will be made according to our modified value style—other styles will not be employed. Therefore, discretionary investments with us or in the Partnership will not be diversified by investment methodology. We invest most often in the public equities markets. Therefore, discretionary investments with us or in the Partnership may not be diversified by asset class.

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 markets, we may prefer to hold large amounts of cash and equivalents rather than investing in securities that we believe to be risky due to overvaluation in the market. You should understand that, during these periods, the Partnership's 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 securities we believe to be overvalued and risky.

As with any long-term investment, there is the potential for the Partnership's investments to incur unrealized losses for periods of time and for its portfolio to underperform benchmark indices for periods of time or indefinitely. 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 in the Partnership during these periods, and in some cases, at our recommendation, we will advise the Partnership to increase its holdings at the reduced prices that have presented themselves. If, against our advice, you choose to withdraw your investment in the Partnership during one of these periods of underperformance, you may realize a loss or a return below expectations in that security or in your capital account that the partner should be prepared to sustain.

### *Cybersecurity Risk*

The increased use of technologies to conduct business increases operational, information security and related risks. Cyber incidents can result from deliberate attacks or unintentional events and include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cybersecurity failures or breaches by issuers of securities or the exchanges on which they are traded have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with or impediments to trading, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, and reimbursement or other compensation costs.

### *Pandemics, COVID-19 and Global Economic Impacts*

The outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization declared a global pandemic from March 11, 2020 to May 11, 2023, caused a worldwide public health emergency with a substantial number of hospitalizations and deaths and has significantly adversely impacted global commercial activity and contributed to both

volatility and material declines in commodity, equity and debt markets. Should the effects of COVID-19 resurface or a pandemic of any kind once again be declared, this may pose unanticipated risks for the Firm's ability to achieve its investment objectives which could result in losses to the Firm's clients.

#### *Remote Working Environment*

Although the Firm is not currently working remotely on a firmwide basis, many businesses, including the Firm, have from time to time on a temporary basis encouraged or mandated that their personnel work from home as a responsive measure to occurrences of outbreaks of COVID-19 in an effort to protect its personnel and help slow the spread of the virus. To the extent personnel, as a result of working remotely for this or any other reason, whether related to a health situation or not, rely more heavily on external sources of information and technology systems for their business-related communications and information sharing, that business may be more vulnerable to cybersecurity incidents and cyberattacks. The firm has adopted and implemented policies and procedures to mitigate its cybersecurity risk and maintains the ability to operate remotely.

#### *World Conditions and Events*

Social, political, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that have significant impacts on issuers, industries, governments and other systems, including the financial markets. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects, especially if such events persist for an extended period of time. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat. Clients will be negatively impacted if the value of their portfolio holdings decreases as a result of such events, if these events adversely impact the operations and effectiveness of the Advisers or key service providers, or if these events disrupt systems and processes necessary or beneficial to the management of accounts.

#### *Business, Terrorism and Catastrophe Risks*

Clients will be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events such as a pandemic. These catastrophic risks of loss can be substantial and could have a material adverse effect on the firm's business and Clients' portfolios including investments made by the firm.

#### *Bank Related Risk*

Deposits maintained at an FDIC-insured bank are covered up to \$250,000 per depositor, per insured bank, for each account ownership category, in the event of a bank failure. Funds using a single bank could potentially lose any deposits over \$250,000 in cash in the event the bank fails. Diversifying banking relationships could serve to minimize the potential uncertainty and destabilizing effect on the Firm's operations because of concern regarding the financial viability

of a single banking institution. These risks may apply to any investments in bank securities we make on your behalf or at your direction.

#### **ITEM 9: DISCIPLINARY INFORMATION**

On June 6, 2022, an investment adviser affiliate separate and distinct from this Firm and Thomas Kahn in his capacity at that entity agreed to a settlement with the SEC through an Order Instituting Administrative Proceedings File 3-2880 in which the parties neither admitted nor denied a narrative of events concerning aggregation, disclosure and other procedures related to clients brokering at an affiliated broker-dealer. Pursuant to the order, the parties agreed to address the issues, contended therein and to a penalty of \$250,000, a disgorgement of certain commissions of \$701,799 and prejudgment interest of \$146,100.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The following management persons at our firm are registered as registered representatives of a broker-dealer, Kahn Brothers LLC, which has common management with us: Thomas Kahn and Andrew Kahn.

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 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 12: Brokerage Practices
2. Related to investment recommendations, see Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading
3. Related to fees, see Item 5: Fees and Compensation and Item 6: Performance-Based Fees and Side-By-Side Management”

#### **Affiliated Entities:**

- Kahn Brothers Advisors LLC, an affiliated Registered Investment Adviser managed by our principals. Kahn Brothers Advisors LLC advises certain separately managed account clients who are also Limited Partners in the Partnership. Certain of our management personnel also maintain positions with Kahn Brothers Advisors LLC. To the extent Kahn Brothers Advisors LLC transacts in securities that are also held by or transacted by the Partnership, it is our policy to prioritize the execution of transactions for advisory clients of

Kahn Brothers Advisors LLC above those of the Partnership due to the fact that our principals have a meaningful ownership position in the Partnership. It is also our policy to prioritize transactions by the Partnership over transactions by us, our affiliated businesses and our related parties. When possible we prefer to have these trades executed on different days to remove a conflict of interest that can arise when placing these transactions in the same trading session.

- Kahn Brothers LLC, an affiliated broker-dealer that is managed by our principals, acts as broker-dealer for Kahn Brothers Value Fund LP and has some brokerage clients who are also Limited Partners in Kahn Brothers Value Fund LP. Certain of our management personnel also maintain positions with Kahn Brothers LLC.
- KB Group Asset Management LLC, an affiliated investment entity with no clients, that is managed by our principals. Certain of our management personnel also maintain positions with KB Group Asset Management LLC.
- KB & Partners Management Co. LLC, a Registered Investment Adviser to a Limited Partnership that is managed by our principals. Certain of our management personnel also maintain positions with KB Group Asset Management LLC.

#### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

We share a Code of Ethics with our affiliated investment adviser, Kahn Brothers Advisors LLC. Our principals believe that our good reputation is a direct reflection of the conduct and professionalism of our employees, and the Code of Ethics serves as a guide for understanding lawful and ethical conduct by our collective employees.

Our Code of Ethics obligates our employees to maintain and follow our fiduciary responsibilities to our client(s). 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 any abuse of position, trust or responsibility, or (d) act or permit an action that creates the impression that one of the aforesaid violations has occurred.

Before making an investment with us, all prospective Limited Partners are advised that our employees own or may own directly or indirectly the same securities that will be recommended and/or transacted for the Partnership. If we, our principals and our employees have a material financial interest in a company that we currently recommend, such interest will be disclosed to you before dispensing investment advice on that company or making a discretionary investment in that company.

Our Employees must provide independent, impartial advice; ensure that that advice is suitable to the Partnership's investment objectives, needs and circumstances; provide favorable execution for our transactions when we or a related person is also transacting the same security; and

safeguard the Partnership's personal, non-public information. Our confidentiality obligations apply during and after the employment terms of our employees.

Our Code of Ethics also strictly prohibits any actions that are or can be construed as being unethical or illegal. This includes any actions that are or may be interpreted as fraudulent, deceptive or manipulative. Trading on material, non-public information (also known as "insider information") is strictly forbidden under the Code of Ethics as well as by U.S. federal law.

Our Code of Ethics also describes our policies on personal securities transactions. To the extent our affiliate investment adviser Kahn Brothers Advisors LLC transacts in securities that are also held by or transacted by the Partnership in close temporal proximity, it is our policy to prioritize the executions for advisory clients of Kahn Brothers Advisors LLC over those of the Partnership to address conflicts of interest arising from our principals' ownership interest in the Partnership. It is also our policy to prioritize transactions by the Partnership over transactions in close temporal proximity by us, our affiliated businesses and their related parties. When placing orders, our employees must be aware of pending orders in that same security to ensure our policy is met. When possible we prefer to have these trades executed on different days to remove a conflict of interest that can arise when placing these transactions in the same trading session. Our officers regularly review all trading activity to ensure that this policy is honored.

We and our related persons do not recommend or transact for the Partnership securities in which we or they have a 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. Investors in the Partnership are advised of this fact before investing. 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 value investing strategy we employ for the Partnership. Second, the positions taken by these entities are almost always passive. Third, these positions, as they relate to the Partnership and its investors, are in publicly-traded securities that are not materially affected by investments of the size that would generally be executed by or on behalf of the Partnership.

Regarding bias in the recommendation of such investments, our principals believe it is in the Partnership's and its investors' best interests to have their manager's financial interests aligned with their financial interests to the greatest degree possible. Accordingly, we maintain a policy of "eating our own cooking," which means we only recommend investments to the Partnership that our principals and employees and their families would or have already invested in themselves. We consider this policy to be in the Partnership's best interest. However, to ensure that a conflict does not arise from such transactions, it is our practice to have at least two 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 the Partnership and its investors upon request.

We and our related persons do not buy or sell securities from or to our clients. Some of the Firm's principals are also principals of two other investment firms, KB & Partners Management Co. LLC, an investment adviser to a limited partnership, and Kahn Brothers Advisors LLC, an investment adviser to separately managed accounts. Some of the investors in the Partnership may be also be clients of Kahn Brothers Advisors LLC. The principals of the Firm may solicit investors in the Partnership to invest with these advisers, if appropriate. These investment advisers have largely the same investment strategies as the Firm's. There is a conflict of interest in that your fee structure for an investment with either one of these advisers could be dissimilar to the fee structure of your investment in the Partnership, and this arrangement could incentivize us to favor one investment structure over another in a manner that maximizes the fees we receive. In some cases and in some billing periods, the fees may be higher; in others, they may be lower. We address this conflict by fully describing to the solicited partner 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 5: Fees and Compensation and Item 6: Performance-Based Fees and Side-By-Side Management.

#### **ITEM 12:      BROKERAGE PRACTICES**

Investors in the Partnership are advised that while the Partnership may choose any broker-dealer with which to execute securities transactions, we direct the Partnership to use the brokerage services of our affiliated broker-dealer, Kahn Brothers LLC ("KB LLC"), which, as an introducing broker-dealer, provides the Partnership a degree of flexibility and control over the order and transaction process. Investors should be comfortable with our brokerage arrangement with Kahn Brothers LLC and with our policies for addressing conflicts of interest that may arise as a result of the Firm's affiliation with the broker-dealer. Kahn Brothers LLC's commissions are generally calculated on a cents-per-share or cost-per-trade basis. As a matter of policy and practice, Kahn Brothers LLC does not generally aggregate client trades, even when doing so could result in a more favorable execution for clients. Kahn Brothers LLC's practice of implementing client transactions separately for each account (as opposed to aggregating client trades in identical securities) does not impact the commission rates the Partnership would otherwise pay to Kahn Brothers LLC. Investors are advised that the Partnership pays commissions that are higher than those that can be found at certain other third-party unaffiliated broker-dealers (including \$0 commissions at some third-party broker-dealers) and that the affiliate and its common principal(s) receive greater compensation through the Partnership brokering with the affiliated broker-dealer as a result of the commissions received by the broker-dealer. Investors are advised of the relationship between the two firms and of Kahn Brothers LLC's commission structure. Our firm receives no other compensation or client referrals in connection with recommending Kahn Brothers LLC as the Partnership's broker-dealer.

##### *Commissions*

As compensation for its brokerage services, KB LLC is paid commissions from the Partnership's assets. KB LLC does not charge any mark-ups to the Partnership. Commission rates have been negotiated between the Partnership and us, and investors are made aware that these commissions are higher than those charged by many third-party unaffiliated broker dealers. Kahn

Brothers LLC's commission arrangement with the Firm is available upon request by the Partnership or Limited Partners.

Investors in the Partnership are advised that using a broker-dealer that is affiliated with the Partnership's investment adviser can create incentives for that investment adviser to generate unnecessary trading activity in the Partnership's 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 lower rate of turnover of securities than might be experienced with investment advisers that use other, more short-term-oriented investment strategies. As a precaution, our senior officers monitor transactions in the Partnership's account to ensure appropriate trading frequencies and volumes.

### *Best Execution*

As a registered investment adviser, we are required to seek best execution in connection with our trading activities. While trades on behalf of the Partnership are effected exclusively by KB LLC, we do not believe this arrangement compromises our ability to obtain best execution. To ensure our obligations toward best execution are being met, we:

- Periodically conduct reviews of our fees and commissions relative to other firms' fees and commissions or to industry or sub-industry data to determine the reasonableness of our combined charges relative to services provided; and
- Periodically conduct a best execution review with KB LLC to better understand the quality of the services and executions that KB LLC provides.

### *Soft Dollars*

We do not purchase investment research, products or services using soft dollars or commission sharing arrangements. While we do have access to investment research through our relationships with data providers, we primarily generate our own internal research and may obtain source material from firms with which we do not have formal business relationships.

## **ITEM 13: REVIEW OF ACCOUNTS**

Our senior officers make an effort to review the Partnership's holdings on a frequent and periodic basis. The portfolio is typically reviewed monthly, although it may be reviewed more or less frequently at our managers' discretion. Material events in the Partnership's holdings will trigger more frequent reviews.

Reviews may be conducted by our president, Thomas Graham Kahn, or our senior vice-president, Andrew Kahn. Reviews involve, among other things, the attractiveness of the current investment holdings, analyses of the timing and availability of other attractive investments that are suitable for the Partnership, the Partnership's cash position and the concentration of company and sector



positions relative to the total portfolio. Reviews also take into account the Partnership's investment goals and restrictions and its short-term and long-term financial needs.

General market condition and company- and industry-specific news are tracked on a continuous, pro-active basis. Significant events, as well as changes in the Partnership's financial circumstances will trigger additional portfolio reviews.

The Partnership receives printed quarterly appraisals that are generated by our internal reporting software. These appraisals display the Partnership's holdings by name, the weights of individual positions in the portfolio and the cost and current market value of each position. Investors in the Partnership also receive quarterly letters from the Firm that discuss the performance of the Partnership's account over the period and annual printed K-1 forms from the Partnership's accountant.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

We currently do not receive economic benefits from non-clients in exchange for investment advice to the Partnership. 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 or for referring investors to the Partnership. 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 or the relevant investor's investment materials, as well as in the Disclosure Document for such solicitor. Both of these documents will be signed by the referred client or investor when such client or investor initiates an investment advisory relationship with us or investment relationship with the Partnership. Such client or investor will also be advised that they 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**

While neither we nor our affiliated broker-dealer, Kahn Brothers LLC, act as qualified custodian of the Partnership's assets, pursuant to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), we are deemed to have custody of the Partnership funds and securities in light of our capacity as General Partner. Our general policy is to ensure that the Partnership funds and securities are maintained with qualified custodians.

In accordance with the Custody Rule and applicable guidance, we cause the Partnership to undergo an audit on an annual basis by an independent accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board in accordance with its rules. In addition, the Partnership and/or qualified custodian distributes audited financial statements prepared in accordance with generally accepted accounting principles to all Limited Partners or other beneficial owners within 120 days of the end of its fiscal year.

**ITEM 16: INVESTMENT DISCRETION**

We provide investment advisory services on a discretionary basis to the Partnership and are authorized to determine, on behalf of the Partnership, how much and which securities are to be bought or sold, broker or dealers to be used and commission rates to be paid. In exercising discretion, we follow the general investment guidelines set forth in the Partnership's Governing Documents. Prospective Limited Partners are provided with Governing Documents prior to their investment and are encouraged to carefully review such documents and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective Limited Partners must also execute certain documents such as a subscription agreement in which they make various representations, including representations regarding their eligibility to invest in the Partnership.

**ITEM 17: VOTING CLIENT SECURITIES**

We have the authority to vote proxy ballots on the Partnership's behalf. We vote through electronic voting platforms provided by third-party providers, by telephone or by USPS mail.

We follow our internal proxy voting policies when voting ballots on behalf of the Partnership. These policies primarily instruct us to vote in a manner that, in our opinion, maximizes the long-term financial interests of the Partnership with respect to its holdings. 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. We may refrain from voting proxies if we believe that voting would be inappropriate taking into consideration the cost of voting the proxy and the anticipated benefit to our client and its investors.

If a Limited Partner would like information on how we voted a particular ballot or proposal, the interested party may contact us at 212-980-5050. A copy of our proxy voting policies and procedures, as well as specific information about how we have voted in the past, is available upon written request.

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 follow guidance from the company or a third-party adviser on how to vote that proxy or initiative, or we may abstain from that particular vote.

**ITEM 18: FINANCIAL INFORMATION**

Kahn Brothers Asset Management Corp. has no financial conditions that are reasonably likely to impair its ability to meet its contractual commitments to the Partnership. Nor has it ever been the subject of any bankruptcy petitions. We do not require or solicit prepayment of fees six months or more in advance.