

**Item 1. Cover Page**

# Form ADV Part 2A: Firm Brochure

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**March 28, 2024**

This brochure provides information about the qualifications and business practices of Clear Harbor Asset Management, LLC (hereinafter “Clear Harbor” or “the Firm”). If you have any questions about the contents of this brochure, please contact Aaron Kennon at (212) 867-7310. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about Clear Harbor is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Clear Harbor is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This section of the brochure discusses only the material changes that have occurred since Clear Harbor's last annual amendment. Since the last annual amendment on March 30, 2023, the following sections were revised:

Item 4. Advisory Business: This section was updated to describe its arrangements with independent, third-party investment advisers ("TPAs"). Under these arrangements, Clear Harbor has the ability to refer clients to TPAs for investment in various types of programs sponsored by these TPAs. Once enrolled in these programs, the selected TPA will manage clients' accounts on a discretionary basis.

Item 5. Fees and Compensation: This section was updated to describe fees and compensation clients will pay when enrolled in a TPA program. Some TPA programs may operate on a "wrap fee" basis, where clients are charged a single fee for a bundle of services, such as investment management and trading services.

Item 8. Methods of Analysis, Investment Strategies, and Risk of Loss: This section was updated to discuss Clear Harbor's analysis of TPAs. We examine the experience, expertise, investment philosophies and past performance of TPAs and monitor the TPA's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we seek to obtain an understanding of the TPA's compliance and business enterprise risks.

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## **Item 4. Advisory Business**

Clear Harbor is an investment adviser providing financial planning, consulting, and investment management services. Prior to engaging Clear Harbor to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Clear Harbor setting forth the terms and conditions under which Clear Harbor renders its services (collectively the "Agreement").

Clear Harbor has been registered as an investment adviser since January 2010. Aaron Kennon, Ian Armstrong, and D. Roger B. Liddell are the principal owners of Clear Harbor.

Clear Harbor had \$1,463,680,113 in assets under management as of December 31, 2023, \$1,459,694,239 of which was managed on a discretionary basis and \$3,985,874 of which was managed on a non-discretionary basis.

This disclosure brochure describes the business of Clear Harbor. Certain sections will also describe the activities of Supervised Persons. Supervised Persons are any of Clear Harbor's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Clear Harbor's behalf and is subject to Clear Harbor's supervision or control.

### ***Financial Planning and Consulting Services***

Clear Harbor may provide its clients with a broad range of comprehensive financial planning and consulting services (which may include non-investment related matters). These services are customized to the individual needs of the clients.

In performing its services, Clear Harbor is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Clear Harbor may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Clear Harbor recommends its own services. The client is under no obligation to act upon any of the recommendations made by Clear Harbor under a financial planning or consulting engagement or to engage the services of any such recommended professional, including Clear Harbor itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Clear Harbor's recommendations. Clients are advised that it remains their responsibility to promptly notify Clear Harbor if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Clear Harbor's previous recommendations and/or services.

### ***Investment Management Services***

Clients can engage Clear Harbor to manage all or a portion of their assets on a discretionary or non-discretionary basis. Clear Harbor primarily allocates clients' investment management assets among individual debt and equity securities, mutual funds, exchange-traded funds ("ETFs"), and/or options in accordance with the investment objectives of the client. In addition, where appropriate, Clear Harbor recommends that clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients' investment objectives.

Clear Harbor tailors its advisory services to the individual needs of clients. Client may place reasonable

restrictions on Clear Harbor's management by prohibiting transactions in certain securities, sector or asset classes. Clear Harbor ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Clear Harbor if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Clear Harbor's management services.

### ***Management of Collective Investment Vehicle***

Clear Harbor is also the investment manager to OncoRev Global Oncology Ecosystem Fund, LP, and Spectrum Value Partners, L.P., privately offered pooled vehicles (the "Funds"). In addition, affiliates of Clear Harbor act as the general partners or managing members for the Funds. Interests in the Funds are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. Clear Harbor has discretionary authority to determine the broker or dealer to be used by the Funds. The Funds currently rely on an exemption from registration in reliance on Section 3(c)(1) of the Investment Company Act of 1940, as amended (the "Investment Company Act"). OncoRev Global Oncology Ecosystem Fund, LP's investment objective is long-term capital appreciation which it aims to achieve by investing in companies that develop and/or provide a variety of products or services for cancer. Spectrum Value Partners, L.P. has been established to generate returns, primarily through investing in securities trading at market prices which differ substantially from what the portfolio manager deems to be their intrinsic value.

If eligible, Clear Harbor recommends that certain clients invest in the Funds where appropriate. The Funds are managed in accordance with each funds' objectives and are not tailored to any particular fund investor. Clear Harbor does not provide individualized advice to these investors. Investors in the Funds should consider whether a particular fund meets their investment objectives and risk tolerance prior to investing. All relevant information, terms and conditions relative to each Fund, including the compensation received by Clear Harbor or an affiliate, withdrawal rights, minimum investments, qualification requirements, suitability, risk factors, potential conflicts of interest, are set forth in the relevant confidential private offering memorandum (the "Memorandum"), investor agreement, and Subscription Agreement (the Memorandum, investor agreement and Subscription Agreement together the "Offering Documents"), which each investor is required to receive and/or execute prior to being accepted as an investor in the Funds. While the Funds are generally Clear Harbor's client, the term "client(s)" sometimes refers to the investors in the Funds.

Clear Harbor will devote its best efforts with respect to its management of Funds and its individual client accounts. Given the above discussion relative to the objectives, suitability, risk factors, and qualifications for participation in the Funds, Clear Harbor may give advice or take action with respect to the Funds that differs from that for individual client accounts. To the extent that a particular investment is suitable for both the Funds and certain individual client accounts, such investments will be allocated between the Funds and the individual client accounts pro rata based on the assets under management or in some other manner which Clear Harbor determines is fair and equitable under the circumstances to all of its clients. The Funds are managed in accordance with each Fund's objectives and are not tailored to any particular Fund investor. Clear Harbor does not provide individualized advice to these investors. They should consider whether a particular Fund meets their investment objectives and risk tolerance prior to investing.

Participation as an investor in the Funds is restricted to investors that are both qualified clients pursuant to the requirements under Rule 205-3 under the Advisers Act, and "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended.

### **Sourcing, Evaluation, Selection & Monitoring of Private Funds**

Clear Harbor selects, supervises and monitors the private investments it recommends to clients. Recommendations will vary depending on client specific needs and will be consistent with the client investment objectives and risk tolerance. Investment decisions are determined by the asset allocation strategy and goals set by the owners of the accounts.

Clear Harbor identifies, screens, and analyzes potential investments and conducts quantitative and qualitative analysis on each Private Fund it recommends to clients. Clients must meet certain criteria, including asset minimums, to establish an advisory relationship with Private Funds. The criteria will differ depending on the investment vehicles in which client invests.

### **Third Party Advisor Programs**

Clear Harbor has entered into agreements with various independent, third-party investment advisers ("TPAs"). Under these agreements, Clear Harbor has the ability to refer clients to TPAs for investment in various types of programs sponsored by these TPAs. Once enrolled in these programs, the selected TPA will manage clients' accounts on a discretionary basis. All TPAs to whom Clear Harbor will refer clients will be a registered investment adviser with the Securities and Exchange Commission.

Clear Harbor prioritizes establishing relationships with reputable and experienced TPAs. When evaluating potential TPAs, Clear Harbor considers factors such as their track record, assets under management, client services, investment style, risk management practices, and overall investment process.

Additionally, Clear Harbor takes into account the cost of TPA services and any specific criteria set by the TPA. Costs associated with TPA programs vary based on program type, services offered, investment minimums, and other factors. These costs will be disclosed in connection with formally establishing an arrangement with a TPA. Some TPA programs may operate on a "wrap fee" basis, where clients are charged a single fee for a bundle of services, such as investment management and trading services. Please refer to additional important disclosures regarding "wrap fee" programs in Item 5 of this brochure.

Clear Harbor collaborates with clients to align their investment profiles with the objectives of the TPA programs under consideration. After receiving recommendations from Clear Harbor, clients retain final authority to select a TPA and a specific program. In some cases, the TPA may also assist in matching your investment objectives and personal and financial data with the programs available at the TPA. A complete description of the TPA's services, fee schedules and account minimums will be disclosed in the TPA's Form ADV which will be provided to clients at the time an agreement for services is executed and an account is established.

Clients who select a TPA program will enter into an agreement directly with the TPA. In some cases, the agreement will be a joint agreement with both Clear Harbor and the TPA. These agreements detail the services provided, associated costs, reporting schedules, termination procedures, and other important information. Performance reporting will generally be the responsibility of the TPA. Such performance reports will be provided directly to you and Clear Harbor. Clear Harbor does not audit or verify that the performance results provided by a TPA are calculated on a uniform or consistent basis.

In some cases, Clear Harbor will be available to answer your questions regarding your TPA account and act as the communication conduit between you and the TPA. Note, however, TPA accounts are managed by the selected TPA and Clear Harbor does not have any discretionary trading authority with respect to the day-to-day management of such accounts.

You should know that Clear Harbor does not seek relationships with all possible TPAs and there may be TPAs that Clear Harbor has not vetted or decided not to include on its list of TPAs to recommend to clients that may charge lower fees for providing similar services.

## **Item 5. Fees and Compensation**

Clear Harbor offers its services on a fee basis which generally includes fees based upon assets under management and/or the performance of the client's portfolio.

### ***Financial Planning and Consulting Fees***

Although Clear Harbor currently does not charge fees for the financial planning and consulting services it provides to its clients, the Firm may, in the future, charge a fixed fee for these services. These fees would be negotiable and largely determined by the level and scope of the agreed upon services.

If the client receiving financial planning and/or consulting services for a fixed fee engages Clear Harbor for additional investment advisory services, Clear Harbor may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging Clear Harbor to provide financial planning and/or consulting services, the client is required to enter into a written agreement with Clear Harbor setting forth the terms and conditions of the engagement.

### ***Investment Management Fee***

In the event the client determines to engage Clear Harbor to provide investment management services, Clear Harbor does so on a fee basis. Clear Harbor charges an annual fee based upon a percentage of the market value of the assets being managed by Clear Harbor. Clear Harbor's annual fee is exclusive of, and in addition to, brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. However, Clear Harbor does not receive any portion of these commissions, fees, and costs.

Clear Harbor's annual fee is prorated and charged quarterly, in arrears or in advance, depending on the selected adviser. Fees charged in arrears will be calculated based upon either the average daily balance of the assets (if the custodian for those assets provides software for making the calculation), average month-end balance of the assets, or the value of the assets on the last day of the previous quarter. Fees charged in advance will be calculated based upon the total market value of the assets under management at either the opening of business on the first business day of each quarter or on the last day of the previous quarter. The annual fee varies (between 0.25% and 1.5%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage Clear Harbor for additional services for compensation, including rolling over retirement accounts or moving other assets to the Firm's management. Clients retain absolute discretion over all decisions regarding engaging the Firm and are under no obligation to act upon any of the recommendations.

Clear Harbor, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono

activities, etc.).

### ***Performance Fee***

As further discussed in response to Item 6, Clear Harbor renders investment management services to *qualified clients* for a performance-based fee in accordance with the requirements set forth in applicable laws, rules, and regulations. For those clients, Clear Harbor charges its fees based upon a percentage of the market value of the assets being managed by Clear Harbor (“base fee”) in addition to a fee based on the performance of the account (“performance fee”).

Clear Harbor charges a performance fee up to twenty percent (20%) of the net gains in a client’s portfolio subject to a high-water mark as detailed in the investment management agreement. Clear Harbor also charges a base fee of one percent (1%) of the market value of the assets under management. Clear Harbor’s annual base fee is prorated and charged quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter. Clear Harbor’s performance fee is charged annually in arrears.

### ***Fees for Investing in the Funds***

For investments in the Funds, Clear Harbor charges its fees based upon a percentage of the market value of the assets in the Funds (“base fee”) of 0.3%-1.0% per annum.

For investments in OncoRev Global Oncology Ecosystem Fund, LP, Clear Harbor charges its base fee in addition to a fee based on the performance of the Fund (“performance fee”), which is payable to the General Partner of the Fund. The performance fee shall be charged annually in arrears and is twenty percent (20%) of the Aggregate Net Increase, as defined in the Fund’s Offering Documents, subject to a “high water mark.” The Fund will also pay a base fee in an amount equal to 0.3% of the sum of (a) the Net Asset Value of the Capital Account of each Limited Partner on the last Business Day of the prior calendar quarter and (b) the respective Book Values (as further defined in the Offering Documents) of the Special Situation Sub-Accounts of each Limited Partner on the last Business Day of the prior calendar quarter (one and two tenths percent (1.2%) per annum of (a) plus (b)). The base fee for a partial period will be prorated.

For investments in Spectrum Value Partners, LP, Clear Harbor charges its base fee in addition to a fee based on the performance of the Fund (“performance fee”). Clear Harbor’s performance fee is twenty percent (20%) of the net performance of the fund, subject to a loss carryforward provision, in addition to a base fee of up to one percent (1%). Clear Harbor’s annual base fee for the Fund is prorated and charged quarterly in arrears, based upon the market value of the assets on the last day of the previous quarter. Clear Harbor’s performance fee shall be charged annually in arrears.

Clients invested in pooled vehicles will pay built in fees and expenses applicable to the investment as described in the Offering Documents. Further information regarding these fees is disclosed in the Offering Documents. Clear Harbor, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.). Investment in the Funds requires investors to meet certain suitability standards and minimum investment requirements. Investment in these products is not suitable for all of our clients.

Fees for managing Private Funds creates incentive for Firm to invest client assets in higher risk strategies because they have potential for higher advisory fees to the Firm.



### ***Third Party Advisor Program Fees***

Fees and billing methods are outlined in each respective TPA's Brochure and Advisory Contract. Clients participating in separately managed account programs of TPAs may be charged various program fees in addition to the advisory fee charged by Clear Harbor. Such fees may include the investment advisory fees of the TPAs, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory and other services. Clients' portfolio transactions may be executed without commission charges in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the TPA, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

You may terminate your relationship in accordance with the respective TPA's disclosure documents. Pre-paid fees will be refunded in accordance with the respective TPA's agreement and disclosure documents. For discretionary accounts, a TPA relationship may be terminated at Clear Harbor's discretion. Clear Harbor may at any time terminate the relationship with a TPA that manages your assets. Clear Harbor will notify you of instances where we have terminated a relationship with a TPA with which you maintain accounts through Clear Harbor. Clear Harbor will not conduct ongoing supervisory reviews of the TPA following such termination. Factors involved in the termination of a TPA may include a failure to adhere to their stated management style or your objectives, a material change in the professional staff of the TPA, unexplained poor performance, service level decrease, or unexplained inconsistency of account performance.

### ***Fees Charged by Financial Institutions***

As further discussed in response to Item 12 (below), Clear Harbor generally recommends that clients utilize the brokerage and clearing services of Pershing, LLC through Pershing Advisor Solutions, LLC ("Pershing") and Charles Schwab & Co., Inc through Schwab Advisor Services ("Schwab") for investment management accounts.

Clear Harbor may only implement its investment management recommendations after the client has arranged for and furnished Clear Harbor with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, Pershing, Schwab, any other broker-dealer recommended by Clear Harbor, broker-dealers directed by the client, trust companies, banks etc. (collectively referred to herein as the "Financial Institutions").

Clients incur certain charges imposed by the Financial Institutions and other third parties such as brokerage commissions, transaction fees, prime settlement fees (in the case of trade-away transactions), margin costs, custodial fees, fees attributable to alternative assets, reporting charges, charges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Clear Harbor's fee. Item 12 further describes the factors that Clear Harbor considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Clients generally provide Clear Harbor with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts from which the Firm retains the authority to directly deduct fees have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Clear Harbor. If a client chooses not to authorize Clear Harbor to debit

its fee, Clear Harbor sends an invoice directly to the client.

#### ***Fees for Management During Partial Quarters of Service***

For the initial period of investment management services, the fees are calculated on a pro rata basis.

The Agreement between Clear Harbor and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Clear Harbor's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Clear Harbor's right to terminate an account. Additions may be in cash or securities provided that Clear Harbor reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Clear Harbor, subject to the usual and customary securities settlement procedures. However, Clear Harbor designs its portfolios as long-term investments, and the withdrawal of assets may impair the achievement of a client's investment objectives. Clear Harbor consults with its clients about the options and ramifications of transferring securities as necessary. Clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

### **Item 6. Performance-Based Fees and Side-by-Side Management**

As discussed in Item 5, above, Clear Harbor renders investment management services to qualified clients or the Funds for a performance-based fee. This fee arrangement raises conflicts of interest. The performance fee may be an incentive for Clear Harbor to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where Clear Harbor charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, there is an incentive to favor accounts paying a performance-based fee when making investment allocations, etc.

Clear Harbor has procedures in place to ensure that any recommendations made are in the best interest of clients regardless of whether the client is paying a performance-based fee or different type of fee.

### **Item 7. Types of Clients**

Clear Harbor provides its services to individuals, pooled investment vehicles, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and business entities.

#### ***Minimum Account Requirements***

The Firm does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship. Clients must meet certain criteria, including asset minimums, depending on the type of service provided to the client and the investment vehicles in which client invests.

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

### ***Methods of Analysis***

Clear Harbor's primary methods of analysis are fundamental, technical and cyclical analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. Clear Harbor will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Clear Harbor will be able to accurately predict such a reoccurrence.

*Cyclical analysis* is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that Clear Harbor is recommending. The risks with cyclical analysis are similar to those of technical analysis.

### ***Investment Strategy***

Clear Harbor is a multi-asset class investment manager with a dual focus on both asset allocation and security selection. Clear Harbor's investment strategy is driven by both a "bottom up" and "top down" process.

When a client engages Clear Harbor, a Clear Harbor representative meets with the client to understand risk tolerance, liquidity needs, total income, and net worth. Upon review of a client's financial situation, Clear Harbor crafts an asset allocation plan that seeks to invest the client's assets in securities which, in Clear Harbor's view, possess attractive risk reward characteristics.

Clear Harbor primarily invests in individual securities (including equities, fixed income, and options) issued by foreign and domestic corporations, governments, and municipalities. From a "bottom up" perspective, Clear Harbor rigorously reviews financial statements, business plans, presentations, and earnings releases when evaluating individual securities.

In addition to selecting individual securities, Clear Harbor formulates a big picture, "top down" view of the economic climate. Clear Harbor's economic view drives its asset allocation strategy, i.e., the mix of bonds and equities within a portfolio, the duration of a fixed income portfolio, the mix of domestic and foreign assets. Clear Harbor also recommends the use of mutual funds and exchange-traded funds ("ETFs"), as appropriate, to implement its asset allocation strategy.

Clear Harbor may recommend the use of options for certain clients. Options seek to allow Clear Harbor to hedge (limit) certain losses on positions clients hold. The option allows Clear Harbor to buy or sell a security at a certain price (not the current market price). Clients pay a fee for the option. If the option

falls outside the money (i.e., the market price of the security does not justify purchasing/selling the security at the option price), the client will lose the fee for that option.

### ***Analysis of Third-Party Advisers (TPAs)***

We examine the experience, expertise, investment philosophies and past performance of TPAs in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the TPA's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we seek to obtain an understanding of the TPA's compliance and business enterprise risks.

Additionally, since we do not have control over the underlying investments in a TPA's portfolio, there is a risk of deviation from the stated investment mandate or strategy, potentially making it less suitable for our clients. Furthermore, lack of control over the TPA's daily business and compliance operations may result in us being unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Clients should be aware and understand that past performance of a TPA does not guarantee future results. Additionally, they should recognize that various market and economic risks may exist, which could adversely impact account performance and lead to potential capital losses.

### ***Risk of Loss***

#### ***Market Risks***

The profitability of a significant portion of Clear Harbor's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Clear Harbor will be able to predict those price movements accurately.

#### ***Volatility Risks***

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

#### ***Cash Management Risks***

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

#### ***Equity-Related Securities and Instruments***

The Firm may take long and short positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market

liquidity, and these issuers often face greater business risks.

#### *Fixed Income Securities*

Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations and to price volatility.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Use of Private Collective Investment Vehicles*

As stated above, Clear Harbor may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

#### *Use of Margin*

To the extent that a client authorizes the use of margin, and margin is thereafter employed by Clear Harbor in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Clear Harbor will not be increased.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under

certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

#### *Short Selling and Options*

The Firm may utilize short selling and trading in options. Such investments can be extremely volatile and substantially increase the impact of adverse price movements on investments. There can be no assurance that the strategy adopted for short selling or investing in options will be profitable or that a client will not lose some or all of his investment.

#### *General Risk of Loss*

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

#### *Risk of Infectious Diseases and Pandemics*

Any spread of an infectious illness, public health threat, or similar issue could reduce consumer demand or economic output, result in market closures, travel restrictions or quarantines, social unrest, significant volatility in financial markets, commercial disruption on a global scale and generally have a significant impact on the economies of the affected country and other countries with which it does business, which in turn could cause financial market disruptions and adversely affect clients' investments in that country and other affected countries.

#### *Portfolio Turnover Risk.*

Portfolio turnover refers to the rate at which investments are replaced. The higher the rate, the higher the transactional and brokerage costs associated with the turnover which may reduce the return, unless the securities traded can be bought and sold without corresponding commission costs. Active trading of securities may also increase your realized capital gains or losses, which may affect the taxes you pay.

#### *Cybersecurity and Disaster Recovery Risk:*

With the increased use of technologies such as the Internet and the dependence on computer systems to perform necessary business functions, Clear Harbor, the Funds and its service providers may be susceptible to operational, information security and related risks. These systems are subject to a number of different threats or risks that could adversely affect the clients and their accounts, despite the efforts of the Firm and service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the clients and the investors. In general, cyber incidents can result from deliberate attacks or unintentional events. Unintentional events may have similar effects. The risks associated with unintentional acts include power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, stealing or corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of Clear Harbor's systems to disclose sensitive information in order to gain access to Clear Harbor's data or that of the client. Cyber incidents affecting Clear Harbor, the Funds and their respective service providers have

the ability to cause disruptions and impact business operations, potentially resulting in financial losses, impediments to trading, fraudulent trading and transfer activity, cause information and technology systems to become inoperable for extended periods of time or to cease to function properly, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, financial losses, reputational damage, reimbursement or other compensation costs, or additional compliance costs. There is also a risk that cybersecurity breaches may not be detected. The information and technology systems of Clear Harbor and its service providers may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches (e.g., “hacking” or malicious software coding). The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Clear Harbor, the Funds and/or service providers operations, potentially resulting in financial losses, the inability to transact business, or a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to clients, fund investors (and the beneficial owners of investors). Such a failure could harm to the Firm’s reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance. While the Firm and its service providers have established business, continuity plans in the event of, and risk management systems to prevent or reduce the impact of cyber-attacks, there are inherent limitations in such plans and systems due in part to the ever-changing nature of technology and cyber security attack tactics, including the possibility that certain risks have not been identified and prepared for. Furthermore, Clear Harbor cannot control the cyber security and business continuity plans and systems put in place by service providers or any other third parties whose operations may affect our clients or the Funds we manage and could be negatively impacted as a result. Although the Clear Harbor, the Funds and all of its service providers have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the relevant party may have to make a significant investment to fix or replace them.

#### *Liquidity*

Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

#### *Interest Rate Risk*

Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

#### *Emerging Markets Risk*

The risk of foreign investments in emerging markets may involve risks greater than, or in addition to, the risks of investing in more developed countries. Emerging markets are generally smaller, less developed, less liquid and more volatile than developed markets.

#### *Foreign Securities Risk*

Securities of companies or issuers located outside the U.S. involve additional risks that can increase the potential for losses. Investments in foreign securities may be affected by currency controls and exchange rates; different accounting, auditing and financial reporting, and legal standards and processes; expropriation; changes in tax policy; greater market volatility.

#### *Currency Risks*

Investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency

values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. This is also referred to as exchange rate risk.

## **Item 9. Disciplinary Information**

Neither the firm nor members of the firm's management have ever been the subject of any legal or disciplinary event that would be material to a client's or a prospective client's evaluation of our business or the integrity of our management.

## **Item 10. Other Financial Industry Activities and Affiliations**

### ***Affiliated Collective Investment Vehicles***

As described in Item 4, Clear Harbor's affiliates, OncoRev, LLC and Spectrum Value Partners, LLC are the managing members of the Funds, which are pooled investment vehicles formed to engage primarily in the business of investing and trading in securities.

If appropriate, Clear Harbor may recommend investment in the Funds to its clients. Clear Harbor may elect to invest all or a significant portion of a client's assets in the Funds. This practice presents a conflict of interest because it gives Clear Harbor an incentive to invest client assets in a fund based on additional compensation received, rather than client needs. Should a client choose to purchase these Funds, Clear Harbor will not assess an advisory fee against that portion of client assets invested in such products assets. Clear Harbor ensures that any recommendations to invest in the Funds are in the best interest of its clients.

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

Clear Harbor has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). The Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its associated Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders. The Code of Ethics also requires that certain of Clear Harbor's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

However, the Firm's associated Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. Personal securities transactions by employees may raise potential conflicts of interests when such persons trade in a security that is owned or considered for purchase or sale by a client.

Unless specifically permitted in Clear Harbor's Code of Ethics, none of Clear Harbor's Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which they know is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any client accounts on the same day. Notwithstanding this prohibition, Access Persons may effect transactions for themselves or



their immediate family at the same time as clients as part of a block trade, with all accounts sharing commission costs equally and receiving securities at a total average price.

The above requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by open-end mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more open-end mutual funds.

Clear Harbor, its supervised persons and the Funds may at any time hold, acquire, increase, decrease, dispose of, or otherwise deal with positions in investments in which a client account may have an interest from time to time. Employees may take investment actions that differ from the advice given or the timing or nature of action with respect to any one client account.

Clear Harbor has no obligation to acquire for a client account a position in any investment which it, acting on behalf of another client, or a supervised person, may acquire. Clear Harbor recommends transactions to clients based solely on investment considerations, including whether the investment is suitable for the client and meets the client's investment guidelines.

As discussed in Item 4, affiliates of Clear Harbor are general partners or managing members to the Funds. Clear Harbor may recommend, on a fully disclosed basis, that certain clients invest in the Funds. Further information regarding this conflict is disclosed in Items 4 and 6, above.

Clients and prospective clients may contact Clear Harbor to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

As discussed in Item 5, Clear Harbor generally recommends that clients utilize the brokerage and clearing services of Pershing or Schwab.

Factors which Clear Harbor considers in recommending Pershing, Schwab, or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Pershing and Schwab enable Clear Harbor to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Pershing and Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Clear Harbor's clients comply with Clear Harbor's duty to obtain best execution. Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Clear Harbor determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Clear Harbor seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other Financial Institutions with whom Clear Harbor and the

Financial Institutions have entered into agreements for prime brokerage clearing services. Clear Harbor periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

Transactions for each client generally will be effected independently unless Clear Harbor decides to purchase or sell the same securities for several clients at approximately the same time. Clear Harbor may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Clear Harbor’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Clear Harbor’s clients pro rata to the purchase and sale orders placed for each client on any given day.

To the extent that Clear Harbor determines to aggregate client orders for the purchase or sale of securities, including securities in which Clear Harbor’s Supervised Persons may invest, Clear Harbor shall do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Clear Harbor shall not receive any additional compensation or remuneration as a result of the aggregation.

In the event that Clear Harbor determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include:

- when only a small percentage of the order is executed, shares will be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates;
- allocations may be given to one account when such account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts;
- if an account reaches an investment guideline limit and cannot participate in an allocation, shares will be reallocated to other accounts (this will be due to unforeseen changes in an account’s assets after an order is placed); with respect to sale allocations, allocations will be given to accounts low in cash;
- in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Clear Harbor may exclude the account(s) from the allocation; the transactions will be executed on a pro rata basis among the remaining accounts; or
- in cases where a small proportion of an order is executed in all accounts, shares will be allocated to one or more accounts on a random basis.

#### **Research and Other Soft Dollar Benefits**

Clear Harbor has no formal soft dollar arrangements. However, consistent with obtaining best execution, Clear Harbor receives investment research products and/or services from certain broker-dealers which assist the Firm in its investment decision-making process. These benefits are not directly linked to specific client transactions, and brokerage is generally not directed in return for such benefits. The research or services received generally will be used to service all of Clear Harbor’s clients. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Clear Harbor does not have to produce or pay for the products or services and may have an incentive to direct brokerage to Firms which provide such

benefits, at the expense of best execution. However, it is Clear Harbor's policy to seek best execution for all transactions, regardless of any economic benefits that may be received.

#### ***Software and Support Provided by Financial Institutions***

Clear Harbor receives from Pershing and Schwab, without cost to Clear Harbor, computer software and related systems support, which allow Clear Harbor to better monitor client accounts maintained at those institutions. Clear Harbor receives the software and related support without cost because Clear Harbor renders investment management services to clients that maintain assets at Pershing and Schwab. The software and support are not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit Clear Harbor, but not its clients directly. In fulfilling its duties to its clients, Clear Harbor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Clear Harbor's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Clear Harbor's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, Clear Harbor may receive the following benefits from Pershing and Schwab: receipt of duplicate client confirmations and bundled duplicate statements; access to trading desks that exclusively service Pershing Advisor Solutions and Schwab Advisor Services participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to electronic communication networks for client order entry and account information.

#### ***Brokerage for Client Referrals***

Clear Harbor does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

#### ***Directed Brokerage***

The client may direct Clear Harbor in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution, and Clear Harbor will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by Clear Harbor (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Clear Harbor may decline a client's request to direct brokerage if, in Clear Harbor's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Item 13. Review of Accounts**

For those clients to whom Clear Harbor provides investment management services, Clear Harbor monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom Clear Harbor provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of Clear Harbor's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Clear Harbor and to keep Clear Harbor informed of any changes

thereto. Clear Harbor shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Clear Harbor may provide written statements at your convenience, the periodicity and contents of which will vary depending on your Investment Adviser Representative. Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Clients should compare the account statements they receive from their custodian with those they receive from Clear Harbor.

Those clients to whom Clear Harbor provides financial planning and/or consulting services will receive reports from Clear Harbor summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Clear Harbor.

## **Item 14. Client Referrals and Other Compensation**

### **Client Referrals**

Clear Harbor may enter into client referral agreements with unaffiliated third-party promoters where the promoters may refer prospective clients whose investment goals and objectives are compatible with Clear Harbor's investment approach. Clear Harbor may compensate the promoter through direct or indirect compensation in accordance with the requirements of Rule 206(4)-1 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Clear Harbor compensates the promoter for the referral by paying a percentage of the advisory fee charged by Clear Harbor. Thus, the promoter has a financial interest in recommending Clear Harbor for investment advisory services. No client referred to Clear Harbor by a third-party promoter will pay a higher fee as a result of this compensation arrangement.

The promoter will disclose at the time of the solicitation whether they are or are not a current client of the firm; whether they will receive any cash or non-cash compensation for the referral; and will provide a statement that the receipt of compensation for a referral creates a conflict of interest. In addition, the promoter will provide each prospective client with a copy of a written disclosure statement disclosing the terms and conditions of the arrangement between Clear Harbor and the promoter, including the compensation the promoter will receive from Clear Harbor and any material conflicts of interest on the part of the promoter as a result of the referral arrangement.

Clear Harbor's only current client referral arrangement is with Barrett & Company, an unaffiliated broker-dealer and registered investment adviser located in Providence, RI.

### **Other Economic Benefits**

Clear Harbor may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and is further disclosed in Item 12, above.

## **Item 15. Custody**

### **Direct Fee Deduction**

Clear Harbor's Agreement and/or the separate agreement with any Financial Institution generally authorize Clear Harbor through such Financial Institution to debit the client's account for the amount of

Clear Harbor's fee and to directly remit that management fee to Clear Harbor in accordance with applicable custody rules. The Financial Institutions recommended by Clear Harbor have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Clear Harbor. In addition, as discussed in Item 13, Clear Harbor also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Clear Harbor.

### **Private Funds**

Affiliates of Clear Harbor act as general partners or managing members to the Funds and therefore the firm is deemed to have custody of client assets under current regulations. As an adviser with custody, Clear Harbor seeks to have the Funds audited on an annual basis by an independent public accountant that is both registered with, and subject to regulatory inspection by, the Public Accounting Oversight Board (PCAOB). For the Funds, the firm will send the audited financials to each investor within 120 days of the Fund's fiscal year-end (180 days if deemed a fund of funds).

### **Surprise Independent Examination**

As Clear Harbor is deemed to have custody over certain clients' cash, bank accounts or securities (for reasons other than those discussed above), the Firm is required to engage an independent accounting Firm to perform a surprise annual examination of those assets and accounts over which it maintains custody. Any related opinions issued by an independent accounting Firm are filed with the SEC and are publicly available on the SEC's Investment Adviser Public Disclosure website. Clear Harbor does not have physical access to client funds as they are maintained with an independent qualified custodian.

### **Standing Letters of Authorization**

Clear Harbor also has custody due to clients giving the Firm limited power of attorney in a standing letter of authorization ("SLOA") to disburse funds to one or more third parties as specifically designated by the client. In such circumstances, the Firm will implement the steps in the SEC's no-action letter on February 21, 2017 which includes (in summary):

- client will provide instruction for the SLOA to the custodian;
- client will authorize the Firm to direct transfers to the specific third party;
- the custodian will perform appropriate verification of the instruction and provide a transfer of funds notice to the client promptly after each transfer;
- the client will have the ability to terminate or change the instruction;
- the Firm will have no authority or ability to designate or change the identity or any information about the third party;
- the Firm will keep records showing that the third party is not a related party of the Firm or located at the same address as the Firm; and
- the custodian will send the client an initial and annual notice confirming the SLOA instructions.

## **Item 16. Investment Discretion**

In most circumstances, Clear Harbor is given the authority to exercise discretion on behalf of clients. Clear Harbor is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Clear Harbor is given this authority through a power-of-attorney included in the agreement between Clear Harbor and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Clear Harbor takes discretion over the following activities:

- The securities to be purchased or sold;

- The quantity of securities to be purchased or sold;
- When transactions are made; and
- The *Financial Institutions* to be utilized.

## **Item 17. Voting Client Securities**

Clear Harbor generally votes client securities (proxies) on behalf of its clients. When Clear Harbor accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully described in Clear Harbor's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Clear Harbor's Proxy Voting Policies and Procedures, as they may be amended from time to time. Clients may contact Clear Harbor to request information about how Clear Harbor voted proxies for that client's securities or to get a copy of Clear Harbor's Proxy Voting Policies and Procedures. A brief summary of Clear Harbor's Proxy Voting Policies and Procedures is as follows:

- Clear Harbor has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to Clear Harbor's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Clear Harbor devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Clear Harbor's vote on a particular solicitation but can revoke Clear Harbor's authority to vote proxies.
- In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Clear Harbor maintains with persons having an interest in the outcome of certain votes, Clear Harbor takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

## **Item 18. Financial Information**

Clear Harbor does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Clear Harbor is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Clear Harbor has no disclosures pursuant to this Item.