
Appel Asset Management Corporation

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This Brochure provides information about the qualifications and business practices of Appel Asset Management Corporation (“Appel Asset”). If you have any questions about the contents of this Brochure, please contact us at (516) 487-7146. 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.

Appel Asset is an investment adviser registered with the SEC. Registration with the SEC does not imply any level of skill or training.

Additional information about Appel Asset also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

This is Appel Asset's initial narrative Brochure prepared in accordance with the new Part 2A of Form ADV. There are no material changes to report in this initial Item 2.

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ITEM 4 – ADVISORY BUSINESS

Appel Asset was incorporated in New York on November 28, 1995, and has been registered as an investment adviser with the SEC since February 1996. Appel Asset is owned by Marvin Appel.

Appel Asset provides discretionary investment advisory services to individuals (including high net worth individuals) and private investment funds (“Private Funds”) (collectively, “Clients”) based on the philosophy of actively managing Client accounts by frequently reviewing market conditions and Client holdings. Whenever Appel Asset judges that a change in market conditions would warrant a change in a Client’s portfolio, Appel Asset will make that change on a Client’s behalf. Appel Asset serves as the general partner to certain Private Funds. Information about each Private Fund, including information about investment strategies, fees, risks and other material information, is contained each Private Fund’s respective offering documents (“Memorandum”).

At the start of Appel Asset’s relationship with a Client, Appel Asset will get to know the Client’s goals, financial situation and ability to bear investment risk. Based on that understanding, Appel Asset will recommend an investment program. Once the Client and Appel Asset agree on a suitable program for the Client, Appel Asset operates with investment discretion, which means that Appel Asset will not ask for approval for each transaction. Clients are not constrained to model portfolios, allowing Appel Asset to accommodate reasonable preferences that an individual Client may have.

Decisions that Appel Asset makes on an ongoing basis for Clients include selecting which areas of the stock and bond markets in which to invest, and determining how much allocation to cash or exposure to each of these areas is suitable for each Client. At any given time, the holdings in each Client’s portfolio will depend on the Client’s ability to bear investment risk, profit objectives and on Appel Asset’s assessment of prevailing market conditions. In general, more conservative Clients will have less exposure to the stock market than more aggressive Clients, and their stock market holdings will be of a less volatile nature. Conversely, more conservative Clients will generally have greater exposure to the bond market compared to more aggressive Clients.

Appel Asset’s Clients hold open-end mutual funds (both equity and bond), exchange-traded funds (“ETFs”) as well as individual stocks (common and preferred) and bonds (Treasury, corporate, municipal) in their accounts. Utilizing these vehicles, Appel Asset aims to gain exposure to any area of the market Appel Asset judges to be suitable and offering good opportunities to each Client. Clients may have exposure at different times to U.S. equities, foreign equities in both developed and emerging markets, high-yield bonds, investment-grade bonds, commodities, foreign currencies or real estate investment trusts.

Appel Asset also manages a number of Client accounts in variable annuities, where Appel Asset utilizes the selection of stock and bond mutual funds available to the Client within the annuity.

Appel Asset provides advisory services to its Clients based on their respective investment objectives and guidelines. The investment objectives and guidelines for each Private Fund are set forth in its Memorandum.

As of March 16, 2011, Appel Asset managed approximately \$60.6 million of assets on a discretionary basis.

ITEM 5 – FEES AND COMPENSATION

Appel Asset does not have a standardized fee schedule for its discretionary investment management services. Appel Asset does not receive any sales commission, referral fees or income from any source other than investment management fees.

Individual discretionary Clients in securities accounts generally are charged management fees equal to 2% of total assets annually, billed at a rate of 0.5% quarterly. In certain instances, this fee may be reduced to as low as 1% of assets annually (0.25% per quarter). Clients whose accounts trade entirely in bonds (individual bonds and/or mutual funds) may pay fees lower than 1%. These fees are negotiable for amounts in excess of \$1 million.

Appel Asset determines which fee structure to charge a particular individual account based on a variety of factors that include, but are not limited to, the complexity and/or size of such Client's account, the source of the referral of such Client to Appel Asset, and the history of such Client's relationship with Appel Asset. To such extent, Appel Asset's fees are negotiable. Appel Asset's fees could be higher than those of other investment advisers providing comparable services to clients.

Investment advisory fees for the management of accounts are billed in arrears at the end of each quarter and are prorated for assets deposited or withdrawn in the middle. Clients may elect to have their fees paid directly from their accounts or to pay a quarterly statement of fees from other sources.

To the extent that Clients invest in mutual funds or ETFs, the Clients also pay the expenses of these vehicles. The impact of mutual fund or ETF expense ratios is reflected in their investment performance. Appel Asset attempts to invest Clients only into mutual funds and ETFs whose potential investment performance warrants incurring the expense ratio.

In addition, Clients whose accounts trade in options pay transaction costs to options brokers at various rates. Appel Asset attempts to negotiate the most favorable rates for its Clients, but such rates vary depending, among other things, on whether or not the Client was a pre-existing customer of the options broker. In such event, transaction rates are often negotiated between the Client and the broker directly.

In its capacity as investment adviser to Private Funds, Appel Asset charges management fees ranging from 1.25% to 3% of assets annually (0.3125%-0.75% per quarter, billed in arrears), depending on the nature and methodology of the Private Fund. The majority of Private Funds

pay a 2% per year (0.5% per quarter) management fee. Fees and other material terms regarding an investment in a particular Private Fund are set forth in such Private Fund's Memorandum.

Clients in variable annuities must also pay the insurance company's mortality benefit and expense ratio, in addition to the expenses of the mutual funds offered within each annuity.

Each Client has the right to terminate its advisory agreement with Appel Asset upon written notice as set forth in such Client's advisory agreement. Upon termination of any Client account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. Withdrawals or redemptions by investors in a Private Fund can be made on the terms described in the Private Fund's Memorandum.

Appel Asset's fees do not include brokerage and transaction fees, costs and charges, and other related costs and expenses that will be incurred by Clients regarding the trading and maintenance of Client accounts. Clients may incur certain charges imposed by custodians, brokers and other third parties such as commissions, custodial fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Appel Asset's fees, and Appel Asset does not receive any portion of these commissions, fees, and costs. Mutual funds and ETFs also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Appel Asset's fee, and Appel Asset does not receive any portion of these commissions, fees, and costs.

Item 12 describes the factors that Appel Asset considers in selecting broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Appel Asset does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a Client).

ITEM 7 – TYPES OF CLIENTS

Appel Asset provides discretionary investment advisory services to and individuals (including high net worth individuals) and Private Funds. The minimum account size depends on the investment program. Appel Asset generally does not accept Client accounts of less than \$50,000 in an investment partnership, nor for less than \$200,000 for an individual account.

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

Appel Asset utilizes a multi-disciplined investment approach that relies on technical analysis security analysis (*i.e.*, the use of market behavior to assess whether future market conditions are likely to be favorable or risky). Appel Asset's main sources of information include market statistics, stock and mutual fund price data that are available online and in print, financial newspapers and magazines, research materials prepared by others, timing services, annual

reports, prospectuses, and filings with the SEC. There are two overall goals of Appel Asset's analysis:

1. To determine how much exposure to the stock or bond market is potentially optimal for each Client, given Appel Asset's assessment of prevailing market conditions and the Client's financial situation.
2. To determine which areas of the stock and bond markets offer the best potential balance between risks and rewards (taking into account all the risk factors described in more detail below).

Appel Asset's trading strategy involves periodic movements of Client assets between risky holdings and the money market, and among different areas of the stock and bond markets, based primarily on proprietary models that utilize technical analysis to detect turning points within the securities markets.

Appel Asset provides advisory services related to market timing. Appel Asset bases the largest proportion of its market timing decisions upon proprietary timing models and strategies that have been created by Gerald Appel, Appel Asset's President, which are applied to Appel Asset's assessment of general market conditions and to the timing of individual transactions in mutual funds, ETFs, stocks and options. Certain mathematical valuation models are employed in regard to options transactions.

Although Appel Asset's strategies are designed to reduce market risk, Clients bear the potential risk of all the markets in which they are invested. The process of adjusting the holdings in Clients' accounts does involve relatively frequent (and usually small) transactions. Most transactions generate a fee (paid to the broker, not to Appel Asset), the cumulative burden of which could potentially weigh on performance. In order to mitigate the burden of transaction costs on Clients, Appel Asset makes every effort to negotiate favorable commissions with the brokers where Appel Asset's Clients are housed and to minimize the number of transactions consistent with Appel Asset's philosophy of active investment management.

The holding period for securities in Clients' accounts is usually under one year. This has potential tax implications for non-retirement accounts. Appel Asset offers strategies to Clients who want to address the tax burden of shorter holding periods.

There can be no assurances that a Client will achieve its investment objective or that the strategies pursued and methods utilized by Appel Asset will be successful under all or any market conditions.

Certain Risk Factors

Investing in securities involves risk of loss that Clients should be prepared to bear. A brief explanation of the material risks associated with Appel Asset's principal investment strategy and methods of analysis follows. Additional risk factors are set forth in a Client's Investment Management Agreement and the Memorandum of each Private Fund.

Open-End Mutual Funds. All mutual funds bear the full risk of the markets in which they invest. In addition, many funds' prospectuses allow for the imposition of trading restrictions

during market conditions when the fund finds it difficult to meet shareholder redemptions by selling the underlying securities. Such restrictions include redeeming shares in kind rather than for cash or imposing early redemption fees, either of which could impose significant unexpected costs to the Client.

Foreign Equity and Bond Mutual Funds. Compared to funds that invest exclusively in the U.S., foreign funds face additional risks including currency fluctuations, foreign withholding taxes, and greater difficulty and expense in buying or selling the underlying securities.

High Yield Bond Mutual Funds. The underlying bonds in these funds face above-average risks of default and of significant price declines during unfavorable economic climates. (The trading models Signlaert utilizes are designed to mitigate these risks but cannot be guaranteed to do so in the future.)

Individual Stocks. Although Signalert endeavors to select stocks that its research suggests have favorable characteristics (such as growing dividend payout and solid financial condition), any individual stock is subject to large price swings in response to unpredictable events.

Individual Bonds and Preferred Stocks. Any bond or preferred stock not guaranteed by the U.S. Treasury has a risk of borrower default (which could result in a loss of much or all of a Client's investment in that bond). In addition, the value of any bond, bond mutual fund or preferred stock is affected by changes in interest rates. A general rise in interest rates could depress the value of existing bond or preferred stock holdings in Clients' accounts. In the case of long-term bonds (maturing in more than ten years) or preferred stocks, the amount of decline in the face of rising interest rates could be severe. Lastly, individual bonds and preferred stocks are frequently illiquid, making it potentially expensive to liquidate Clients' investments in these vehicles. For this reason, Signalert selects only individual bonds or preferred stocks for Clients that Signalert judges to be suitable to hold until maturity (or at least for several years).

Dependence on Technical Trading Systems. In its trading, Appel Asset relies in large measure on the technical trading systems and models shared by Appel Asset and its affiliate Signalert Corporation ("Signalert"). Technical systems are based on mathematical analysis of certain technical and fundamental data regarding past market performance. Such systems take into account fundamental external factors (*e.g.*, weather, interest rates, political climate) only to a limited extent. Thus, even though Appel Asset, on occasion, uses its discretion in trading mutual fund shares, ETFs, and individual equity or debt securities on behalf of Clients notwithstanding the absence of technical signals, Appel Asset's reliance on such signals may result in an inability to respond to fundamental events in the market place until after their impact has ceased to influence the market. Moreover, there is no assurance that such signals, when generated, will prove correct, because no technical trading model or hedge model is totally efficient.

Short-Term Trading. Short-term mutual fund trading is subject to the risks normally associated with the short-term trading of any stock market vehicle. The number of open-end mutual funds that allow for very rapid and unrestricted trading is limited, and the selection of mutual funds into which a Client can invest in accordance with its trading strategies is therefore limited to that extent. Funds with which a Client may trade may underperform other open-end mutual funds that will not permit short-term trading.

Mutual Fund Trading. It is possible for the value of a mutual fund to fall more quickly or to rise more slowly than the stock market as a whole. This risk is exacerbated in investments which are concentrated in particular types of securities (*e.g.*, small-cap funds) or particular market sectors (*e.g.*, technology, healthcare, or finance sector funds). Risk is involved in fund selection as well as in market timing. Most mutual fund shares can only be traded at the end of each day, potentially increasing losses on days of steep overall market declines. In addition, some funds only permit trading well before the market closes. Missed trading opportunities may impair performance. There also may be occasions when limited liquidity in the markets may prevent the timely purchase or sale of a Client's mutual fund holdings. This could impact a Client's ability to implement its trading strategies.

Mutual Fund Leverage Risks. The open-end mutual funds invested in by Appel Asset may employ leveraged investment techniques. Leverage is the ability to obtain a return on a capital base to be utilized by Appel Asset that is larger than the equity invested and may involve the use of borrowed funds, options, or other instruments. Use of leverage can magnify the effects of changes in the value of the invested funds and make them more volatile. The leveraged investment techniques that the underlying mutual funds employ could cause Appel Asset to lose more money in adverse environments.

Exchange Traded Funds (ETFs). ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed generally to correspond to the price and yield performance of their underlying indices, either broad stock market, stock industry sector, international stock, or U.S. bonds. ETF shareholders are subject to risks similar to those of holders of other diversified portfolios. A primary consideration is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income exchange traded fund, respectively. This is because an equity (or bond) ETF represents an interest in a portfolio of stocks (or bonds). When interest rates rise, bond prices will generally decline, adversely affecting the value of fixed income ETFs. Moreover, the overall depth and liquidity of the secondary market may also fluctuate. An exchange traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based. International investments may involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, or economic, political instability in other nations. Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indices, ETFs may not be able to replicate exactly the performance of the indices because of their expenses and other factors.

ETFs - Liquidity and Pricing Risks. ETFs, as with individual stocks, can at any time be bought at an asked price or sold at a bid price, in a limited quantity. Attempts to transact in larger quantities can move the market against a Client's position. Although current liquidity is sufficient to accommodate the anticipated volume of transactions in ETFs, this may not always be the case in the future.

In general, U.S. open-end mutual funds must offer their shareholders the right to redeem shares daily at the close of business and at closing net asset value. However, in certain circumstances, such as a disruption of the orderly markets for the securities in which the mutual funds invest, or

the inability of a fund to receive or process all redemption requests, Appel Asset might not be able to dispose of certain holdings, or may do so only at prices that do not represent true market value in the judgment of Appel Asset. This may prevent Appel Asset from limiting losses or realizing gains. The redemption price, consisting of net asset value, is determined unilaterally by the fund manager or custodian.

Options Trading. Options trading involves certain risks aside from the normal risks associated with trading in common stocks. Options trading may be restricted in the event trading in the underlying instrument becomes restricted. Options trading may itself be illiquid at times, irrespective of the condition of the market of the underlying instrument. Such restriction would make it difficult to offset option positions in order either to realize gain thereon, limit losses or change positions in the market. Options trading also may be subject to the additional risks of potential erratic price movement and short squeezes. In addition, to the extent that Appel Asset engages in naked options strategies involving the purchase or writing of calls or puts, Appel Asset risks losing either the entire premium investment, or a significant amount, in a relatively short period.

International Investments. Mutual funds that invest in foreign securities, historically have been highly volatile in nature. To the extent that Appel Asset invests in such instruments, it will be subject to greater risks than are present in comparable United States investments. In general, foreign markets are not as liquid and do not have pertinent information disseminated as efficiently as United States markets. In addition, with respect to some countries, there is the possibility of expropriation, confiscatory taxation, and/or political, social and financial instability. In addition, if Appel Asset invests in foreign securities denominated in foreign currencies, the value of those securities will be affected by changes in exchange rates.

Use of Margin. Appel Asset has established margin accounts at certain brokerage firms to purchase mutual funds. The use of margin increases the risk potential as well as the profit potential. Appel Asset in general has to pay interest on margin balances even during periods when trading opportunities do not present themselves. Margin interest charges also reduce profit potential without mitigating the risk.

The foregoing does not purport to be a complete explanation of the risks involved in trading mutual funds or with respect to any investment strategy.

ITEM 9 – DISCIPLINARY INFORMATION

Appel Asset does not have any disciplinary or legal events to report.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Appel Asset shares its proprietary timing models with its affiliate Signalert, and vice versa. Both Signalert and Appel Asset are general partners or managers to Private Funds, which invest as described under Items 4 and 8. In accordance with their investment objectives and tolerance for risk, Appel Asset Clients are solicited to invest, and may, with the written consent of the Client,

be invested by Appel Asset in Private Funds managed by either Signalert or Appel Asset. The potential conflict of interest regarding such relationship is disclosed to investors and prospective investors in a Private Fund prior to their making an investment in a Private Fund. See Item 4.

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

Appel Asset has adopted a Code of Ethics (the “Code”) which sets forth the ethical and fiduciary principles and related compliance requirements under which Appel Asset operates and the procedures for implementing those principles. The Code includes provisions that govern fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, political contributions, outside business activities and confidentiality.

Appel Asset’s employees and related accounts (“Employees”) are permitted to maintain personal securities accounts provided that such accounts are disclosed to Appel Asset and that any personal trading is consistent with applicable law and with the Code. Subject to compliance with the Code, Employees may buy, sell or hold, for their own personal trading accounts, securities that Appel Asset also may buy, sell or hold for Clients.

The Code contains policies and procedures that, among other things:

- prohibit Employees from taking personal advantage of opportunities belonging to Clients;
- prohibit trading on the basis of material nonpublic information;
- place limitations on personal trading by Employees and impose preclearance (in certain cases) and reporting obligations with respect to trading; and
- require initial and annual reports of securities holdings and quarterly transaction reports by Employees.

The majority of Clients’ holdings are in open-end mutual funds and in highly liquid ETFs for which potential conflicts of interest considerations are at a minimum.

Appel Asset’s Code is available to any Client or prospective client upon request by contacting Tracey Landry at (516) 829-6444.

Appel Asset, consistent with Clients’ investment objectives and in accordance with applicable law, may cause accounts it manages to effect, and will recommend to Clients or prospective clients, the purchase or sale of securities in which Appel Asset, directly or indirectly, has a position or interest. Appel Asset may recommend to Clients an investment in the Private Funds that it advises or for which a related person serves as the general partner or investment adviser. The potential conflict of interest regarding such relationship is disclosed to investors and prospective investors in a Private Fund prior to their making an investment in a Private Fund. See also Items 4 and 10.

From time to time, it may be appropriate for more than one of the accounts managed by Appel Asset to trade in the same securities at the same time. As a general rule, such orders are

combined (or bunched) and allocations among Appel Asset's Clients acquiring the same securities on the same day are effected on a pro rata basis, based on the relative value of the accounts, or otherwise based on an allocation amount determined at the time of the order. If the orders are combined (or bunched), each of the accounts will have its same day orders filled on an average price basis (such that each receives the same price). While Appel Asset's goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on an overall or trade-by-trade basis that any particular Client will not be treated more favorably than another.

Appel Asset does not engage in principal transactions with Client accounts and before it could do so it would have to secure applicable Client consent. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated private investment fund and another client account.

ITEM 12 – BROKERAGE PRACTICES

In connection with the execution of its securities transactions, Appel Asset generally will have the authority to determine, without obtaining specific Client consent, the broker to be used and the commission rate paid.

Appel Asset does not adhere to any rigid formulas in making its selection of brokers, but will weigh a combination of the criteria described below. Generally, Appel Asset will recommend and use those brokers or dealers that it determines in good faith offer the best prices given the quality of the brokerage (*e.g.*, execution, stability of capital base, competitive fee arrangements) such brokers or dealers provide and that Appel Asset believes are reputable, reliable, financially responsible, and well established. It is Appel Asset's policy to obtain the best brokerage rates available, and in doing so it will seek the lowest available commission rates commensurate with the assurance of reliable and qualified brokerage services.

Appel Asset generally will not compensate brokers or dealers for other than the execution of brokerage transactions (including other associated incidental costs). Given the brokerage services that brokers generally offer, Appel Asset may be deemed to be paying for other services provided by a broker or dealer that are included in the commission rate, such as related brokerage services, including order routing, clearing, custodial and settlement services. Appel Asset also may receive incidental benefits from brokers or dealers, including research from the broker or third party research (for example, from Standard & Poors or Moody's), free attendance at conferences or seminars that they may sponsor, and travel accommodations. Although the commission rates charged by such brokers are represented as not reflecting any such additional benefits, the commission rates charged by such brokers may be higher or lower than other brokers. Appel Asset may have a potential conflict of interest between its duty to obtain best execution for a Client and its interest in receiving such economic benefits in the future.

Any of the foregoing brokerage and research services received by Appel Asset may be used in servicing some or all Clients' accounts, but not all such services may be used in connection with the specific account that paid commissions to the broker or dealer that provided such services. Appel Asset is permitted to place transactions with brokers or dealers who provide it with third-

party research at commission rates that are higher than those it currently is charged if, in its good faith determination, the amount of the transaction cost is reasonable in relation to the value of the third-party research provided. However, although Appel Asset may in limited circumstances receive unsolicited research, Appel Asset does not select brokers based on the receipt of such research and generally does not direct trades in exchange for such research. Appel Asset does not enter into “soft dollar” arrangements.

In certain cases, Clients may direct that their own brokers be used. Individual Clients must approve and themselves make the deposits into brokerage houses and/or mutual fund accounts, and only they can request withdrawals of capital. Clients who direct the selection of brokerage in this way understand that in doing so:

- they may be restricting Appel Asset’s ability to obtain as favorable a transaction price or commission rate or overall best execution as might otherwise be obtainable;
- that the Clients’ accounts may forego benefits from savings on execution costs that may otherwise be obtained, most notably by aggregating brokerage orders for various accounts; and
- that there may be additional credit and/or settlement risk in using the brokers they selected.

As part of its brokerage placement practices, Appel Asset may use brokers that have referred or may refer Clients to it, which may include brokers that Clients direct Appel Asset to use. See Item 14. If the broker to be used by Appel Asset has referred Clients, or may refer Clients to Appel Asset, Appel Asset may have a potential conflict of interest between its duty to obtain best execution for a Client and its interest in receiving future referrals. A Client who is referred to Appel Asset by a particular broker may instruct Appel Asset to use that broker or a different broker to effect transactions for the Client’s account. Commission rates charged by brokers that refer Clients to Appel Asset or by brokers that Clients direct that Appel Asset use may be higher or lower than the commission rates charged by other brokers that Appel Asset uses.

Appel Asset’s selection of brokers is guided and/or limited by (i) its responsibility to act as a fiduciary when handling Clients’ accounts, (ii) its obligation, to the extent applicable and subject to the conditions hereinabove specified, to select brokers who offer overall best execution on Clients’ trades, and (iii) with respect to a Private Fund, the Private Fund’s Memorandum.

Appel Asset aggregates Client orders (and those of its affiliate, Signalert) to achieve a more timely execution and potentially better pricing than would be possible if orders were submitted separately for each Client. Brokers calculate the average price at which block orders are filled so that every Client pays or receives the same price.

ITEM 13 – REVIEW OF ACCOUNTS

Appel Asset’s assessment of market conditions is reviewed at least weekly, and frequently on a daily basis. Client assets under discretionary management are reviewed on a generally daily basis but not less than weekly basis to determine current operating strategy and market position.

Reviews are generally conducted by Gerald Appel (President), Marvin Appel (CEO) and by staff members who may have certain discretionary authority to act within specific guidelines under which Appel Asset operates, including, but not limited to certain, valuation and other models that are employed.

Depending on their level of experience, reviewers (other than Gerald Appel and Marvin Appel) have responsibility for as few as 15 and as many as 220 accounts.

Clients receive copies of all transaction confirmations, and periodic statements from brokerage houses and mutual funds (usually monthly), and quarterly statements from Appel Asset as to the assets and progress of their accounts. These statements are written and are sent either as hard copies or electronically, according to each Client's preference.

Investors in Private Funds under Appel Asset's advisory management receive written monthly statements that show the previous month's net results, provide a statement of assets, and provide the net value of the investor's account at month's end. Such investors are also furnished annual audited financial statements and partnership or limited liability company tax returns.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Appel Asset may pay referral fees to third parties, which may include broker-dealers or other investment advisers, who refer Clients to it for advisory services. As applicable, such arrangements will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended.

Other than the incidental benefits described in Item 12 above, Appel Asset does not receive any economic benefits for providing advice to its Clients from anyone other than its Clients.

ITEM 15 – CUSTODY

Appel Asset does not have actual custody of any Client assets. Appel Asset, as general partner to Private Funds, is deemed to have custody of such Private Fund assets. See also Items 4 and 11 above. In accordance with Rule 206(4)-2 under the Advisers Act, audited financial statements are furnished annually to all investors in the Private Funds. As applicable to each Private Fund, investors may also receive periodic unaudited reports, account balances, commentary and/or other information regarding such Private Fund or their investment in such Private Fund.

Clients (and investors) are urged to carefully review all statements and contact Appel Asset if they have any questions.

ITEM 16 – INVESTMENT DISCRETION

Appel Asset provides investment advisory services to its Clients on a discretionary basis relating primarily to the investment of Clients' assets in mutual fund shares, as well as ETFs, individual stocks and bonds, and options. Appel Asset has the authority to determine, without obtaining specific Client consent, the securities to be bought and sold and the amount of securities to be bought and sold. The particular selection of holdings in each Client's account depends on the

Client's financial situation, investment objectives, tolerance for risk, and the prevailing market climate. Limitations on Appel Asset's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling Clients' accounts, (ii) the investment strategies and objectives of its Clients, and (iii) with respect to a Private Fund, the Private Fund's Memorandum.

On occasion, Clients may direct Appel Asset to hold particular securities in their accounts on a long-term basis, notwithstanding any change in Appel Asset's assessment of market conditions. Clients may also place reasonable restrictions on the type of securities Appel Asset may purchase for their accounts (for example, due to tax considerations).

Prior to Appel Asset assuming the discretionary management of any account, each Client must complete the paperwork necessary to grant Appel Asset the authority to manage the Client's account(s). For individual Client accounts housed at a brokerage firm, the brokerage firm will also require separate written authorization from the Client granting Appel Asset a limited power of attorney to manage the account but not to deposit or withdraw assets from it (except possibly to pay management fees).

ITEM 17 – VOTING CLIENT SECURITIES

When granted the discretion to do so (which is generally the case), Appel Asset's proxy voting policy is to vote all Client proxies in the Client's best interest on a case-by-case basis, considering such facts as it deems material. Appel Asset's objective is to vote proxies, in its judgment, in a manner that is most likely to maximize the value of its Clients' investments.

Appel Asset must act as a fiduciary when voting proxies on behalf of its Clients. In that regard, Appel Asset will seek to avoid possible conflicts of interest in connection with proxy voting as follows:

Where Appel Asset identifies a potential conflict of interest (such as if Appel Asset or an Employee is affiliated or associated with an issuer or Appel Asset holds the issuer's securities on a proprietary basis), Appel Asset will initially determine whether such potential conflict is material. Where Appel Asset determines there is a potential for a material conflict of interest regarding a proxy, Appel Asset will take one or some of the following steps: (i) inform the Client of the material conflict and Appel Asset's voting decision; (ii) discuss the proxy vote with the Client; (iii) fully disclose the material facts regarding the conflict and seek the Client's consent to vote the proxy as intended; and/or (iv) seek the recommendations of an independent third party. Any Employee who has a direct or indirect pecuniary interest in any issue presented for voting, or any relationship with the issuer, must so inform Appel Asset's Chief Compliance Officer and recuse himself or herself from decisions on how proxies with respect to that issuer are voted.

Appel Asset's CEO, Marvin Appel and President, Gerald Appel oversee and manage the process by which it votes proxies. Appel Asset's proxy voting policy and procedures are available upon request. Each advisory Client also may obtain Appel Asset's proxy voting policy and procedures or a record of Appel Asset's proxy voting for such Client by contacting Marvin Appel Asset at

(516) 487-7146. Clients may direct a vote with respect to any of the securities in their individual brokerage account by contacting Marvin Appel at the same phone number.

ITEM 18 – FINANCIAL INFORMATION

Appel Asset has no financial condition that impairs its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy proceeding.