



FORM ADV PART 2A*
SEC-Required Brochure

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*This brochure provides information about the qualifications and business practices of Blume Capital Management. If you have any questions about the contents of this brochure, please contact us at telephone 510.549.3534. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state authority. Additional information about Blume Capital Management is available on the SEC's website at www.adviserinfo.sec.gov.

MATERIAL CHANGES FROM PRIOR FORM ADV PART 2A

This updated Form ADV Part 2A contains the following changes from the prior version:

- Routine revisions and updates to formatting.
- Non-material edits to the existing descriptions of prior disclosures.
- Updated assets under management information at Item 1.

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1. ADVISORY BUSINESS

Registration Status –	Registered with the SEC on October 1, 1998 ¹ Registered with the State of CA on January 31, 1994
Principal Owners –	James B. Blume Jeffrey V. St. Claire

ADVISORY SERVICES

Blume Capital Management, Inc. (“Blume Capital” or the “Firm”), a California corporation, provides investment management and other financial consulting services to individuals and their trusts and estates, pension and profit sharing plans, charitable foundations and private investment funds. The Firm is also the managing member and investment advisor to a pooled investment fund called Hutchinson Capital Partners, LLC, a Delaware limited liability company (“Hutchinson Partners” or the “Fund”). Investment management services are provided on a discretionary basis and for separately managed accounts, include, among other services, financial goal setting, risk assessment, strategic asset allocation and the selection and management of securities and investments.

SERVICES FOR SEPARATELY MANAGED ACCOUNTS

Blume Capital accepts clients for which the Blume Capital investment approach is suitable and appropriate. This determination is made through client consultations during which the client and Blume Capital evaluate the client’s investment objectives, financial circumstances, investment experience, time horizon and risk tolerance level. In performing its services, Blume Capital is not required to independently verify any information received from the client or from the client’s other professional advisors, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains the client’s responsibility to promptly notify the Firm of any change in their financial situation or investment objectives that would necessitate a review, evaluation or revision by Blume Capital of previous recommendations and/or services. Blume Capital evaluates each new client’s existing investments and where necessary develops a plan to transition such existing investments into or out of the client’s portfolio as required by Blume Capital’s investment strategy.

Based upon client interviews and a review of each client’s financial condition and investment goals, Blume Capital prepares an investment policy statement which documents Blume Capital’s recommended asset allocation and investment strategy for the client account. The investment policy statement is executed by both client and the Firm and provides the framework for the investment management of the client’s assets.

¹“Registration” means only that the Firm meets the minimum requirements for registration as an investment advisor and does not imply that the SEC guarantees the quality of our services or recommends them.

In certain circumstances, typically for clients with \$10 million or more in investible assets, Blume Capital may provide investment counsel regarding the use and selection of third party sub-advisors, the determination of appropriate asset allocation and monitoring of sub-advisor performance.

SERVICES FOR HUTCHINSON PARTNERS, LLC

Blume Capital is also the managing member and investment manager to Hutchinson Partners which was established to provide a “fund of funds” investment vehicle for those clients of Blume Capital that qualify as investors for other private investment companies and for which such investments are deemed suitable. As the managing member of the Fund, Blume Capital has a proprietary interest in the Fund and is entitled to certain fees and the reimbursement of expenses, if any are assessed, in accordance with the terms of the Hutchinson Partners private placement memorandum and investor subscription agreements entered into with its investors. The Fund operates as a pooled investment vehicle intended to provide diversification, management expertise and other advantages to qualifying clients. In order to invest in the Fund, an investor must meet certain requirements, including qualifying as a “qualified purchaser” (as defined in Section 2(a)(51) of the Investment Company Act of 1940 and the regulations thereunder) and an “accredited investor” (as defined in Rule 501(a) of Regulation D under the Securities Act of 1933 (“Securities Act”).

ASSETS UNDER MANAGEMENT AS OF DECEMBER 31, 2011

Discretionary Assets – \$177,279,137

Non-discretionary Assets – \$0

TERMINATION OF AGREEMENT

Blume Capital and its clients may terminate their respective investment management agreement on thirty (30) days written notice. Any unearned fees owed to client by the Firm will be refunded on a pro rata basis determined on the amount of time expired in the calendar quarter.

If a copy of this Form ADV Part 2A disclosure statement was not delivered to the client at least 48 hours prior to the client entering into any written advisory contract with Blume Capital, then the client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. For purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract. If the client terminates the contract on this basis, all fees paid by the client will be refunded. Any transaction costs imposed by the executing broker or custodian for establishing the custodial account or for trades occurring during those five days are non-refundable.

Blume Capital may only be terminated as manager of Hutchinson Partners as provided in the Fund’s limited liability company operating agreement, a copy of which is provided to each prospective investor in the Fund.

2. FEES AND COMPENSATION

ADVISORY FEES FOR SEPARATELY MANAGED ACCOUNTS

For its investment management services, Blume Capital charges an annual fee based on a percentage of assets under management. Blume Capital's annual investment management fee is prorated (25% of total annual fee) and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter as reflected on the client's custodian account statement. All assets in the Account are included in the fee assessment unless specifically identified in writing for exclusion. For new accounts, Blume Capital charges a fee based on the value of assets placed in the account, prorated to the portion of the calendar quarter during which the assets were under management by the Firm. The Firm's standard fee schedule is as follows:

Value of Account Assets	Annual Fee Rate
On the market value of Account up to \$1,000,000	1.00% plus
On the market value of Account between \$1,000,000 and \$2,000,000	0.80% plus
On the market value of Account over \$2,000,000	0.60%

The management fee is computed on the last day of each quarter of management by determining the market value of the client's account(s) using the following guidelines: (a) for marketable securities: the current market price provided by the client's custodian or third party pricing service; (b) for securities for which there exists no active market (such as real estate, gas and oil, or other illiquid securities), by using such information as the Firm shall in good faith deem relevant to determine the value thereof, or in the absence of such information, at cost; and (c) cash or equivalents, at dollar value. Fees charged are not calculated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (SEC Rule 205(a)(1)). Blume Capital does not seek, nor does it accept, sales fees or commissions of any kind.

The client's investment management fee to Blume Capital is determined in accordance with the above standard fee structure, with exceptions negotiated on a case-by-case basis at Blume Capital's discretion. Services provided for the above fees are for investment advice and quarterly reporting of asset holdings, valuations and performance reviews. Blume Capital, in its sole discretion, may negotiate to charge a lesser annual fee or lesser investment management fee based upon, among other criteria, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and/or pro bono activities.

To the extent that a client authorizes the use of margin, the market value of the client's account and corresponding fee payable by the client to Blume Capital will be increased. As a result, in

addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin shall correspondingly increase the management fee payable to Blume Capital. Accordingly, the decision as to whether to employ margin is left to the sole discretion of client. Blume Capital does not utilize nor advocate the use of margin for investment purposes.

ADVISORY FEES FOR HUTCHINSON PARTNERS, LLC

All fees paid by investors in the Fund are more fully described in the private placement memorandum, including the operating agreement and subscription agreement, provided to Fund investors. As its investment manager, Blume Capital charges an investment management fee totaling one percent (1%) of the Fund's assets. Such fees are calculated and paid quarterly in advance based on the net asset value of the assets as of the end of the preceding quarter. Blume Capital in its sole discretion, may waive or reduce the management fee with respect to any Fund investor for any period of time, or agree to apply a different fee for that investor.

No commissions or other compensation are paid by Hutchinson Partners or Blume Capital to any party in connection with obtaining subscriptions to interests in the Fund. The Fund generally pays directly or reimburses Blume Capital for certain operating expenses. Blume Capital also pays all ordinary administrative expenses of the Fund.

The Firm's separately managed account clients, that are also investors in the Fund, are not billed separately for investment management fees by the Firm for the portion of their assets represented by their investment in the Fund, but rather pay only the Fund management fees on those assets. However, as disclosed below under Third Party Fund Disclosures, the Fund will pay fees to third party fund managers for investment management and administrative services to the extent that Fund assets are invested in such third party investment vehicles, and investors in the Fund will therefore indirectly bear such third party fees and expenses in addition to the Fund management fees.

FEES FOR HOURLY CONSULTATIONS

In addition to advising on investments in securities, Blume Capital may, occasionally, advise its investment management clients with respect to direct real estate investments or other investment or asset allocation decisions for an hourly fee that ranges from \$350 to \$600 depending upon the nature of the engagement.

GENERAL FEE DISCLOSURES

Blume Capital believes its fees are competitive with those fees charged by other investment advisors for comparable services. However, comparable services may be available from other sources for lower fees than those charged by Blume Capital.

The client's fee is determined in accordance with the above fee structure, with exceptions negotiated on a case-by-case basis at Blume Capital's discretion. Any deviations from the fee

structure are based upon a number of factors including the amount of work involved, the amount of assets placed under management and the attention needed to manage the account.

Blume Capital does not provide clients advice as to the tax deductibility of its advisory fees. Clients are directed to consult a tax professional to determine the potential tax deductibility of the payment of advisory fees.

CUSTODIAN AND BROKERAGE FEES

Clients incur certain charges imposed by their custodians and other third parties such as custodial fees, 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. Additionally, clients will incur charges by the executing broker-dealer in the form of brokerage commissions and transaction fees on the investment transactions entered into for their account(s). All such charges, fees and commissions are exclusive of and in addition to Blume Capital's investment management fee. However, Blume Capital will bear any custodial fees relating to interests in the Fund.

Clients typically authorize the custodian of their account(s) to debit the client's account for the amount of Blume Capital's investment management fee and to directly remit that management fee to Blume Capital. The client's custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Blume Capital. It is the client's responsibility to verify the accuracy of the fee calculation, as the custodian will not determine whether the fee is properly calculated. Clients must discuss any discrepancy in fees with Blume Capital within 30-days of the billing date.

THIRD PARTY FUND DISCLOSURES

Mutual funds, closed-end funds, exchange traded funds (ETFs) and private/alternative investment funds are investment vehicles and the investment strategies, objectives and types of securities held by such funds vary widely. In addition to the advisory fee charged by Blume Capital, clients (including those invested in Hutchinson Partners indirectly pay for the expenses and advisory fees charged by the funds in which their assets are invested.

All such funds incur operating expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from fund to fund.

In addition, funds charge shareholders (individual investors in the funds) other types of fees such as early redemption or transaction fees. These charges also vary widely among funds. As a result, clients will still pay management fees and other, "indirect" fees and expenses as charged by each mutual fund (or other pooled investment vehicle) in which they are invested. Blume Capital only charges fees as outlined in Item 2.

Clients are provided a copy of a fund prospectus for each fund in which they invest by their custodian or by the fund sponsor rather than by Blume Capital. As required by law, a prospectus represents the fund's complete disclosure of its management and fee structure. In addition, a fund's prospectus can be obtained directly from the fund.

BOND DISCLOSURE

Clients whose assets are invested in bonds purchased directly from an underwriter may pay a sales credit or sales concession to the underwriter on the trade (in lieu of a sales commission) ranging from 0% - 2% of the par value of the bond.

3. PERFORMANCE-BASED FEES

No part of Blume Capital's investment management fee is based upon capital gains or the capital appreciation of assets.

The Firm does not charge a performance fee in connection with its investment management services to Hutchinson Partners.

4. TYPES OF CLIENTS

Our clients include individuals and their trusts and estates, pension and profit sharing plans, charitable foundations and private investment funds. As a result, Blume Capital services may not be appropriate for everyone. Particularly for smaller accounts, other investment advisers may provide somewhat similar services for lower compensation, although still others may charge more for similar services.

Blume Capital requires clients to place a minimum of \$1,000,000 under management with the Firm. Multiple client accounts may be aggregated to meet this minimum. Under certain circumstances, and in its sole discretion, Blume Capital may waive or alter the minimum account size requirement. Accounts placed with the Firm prior to the institution of the minimum account size requirement may be exempted.

5. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS

METHODS OF ANALYSIS

Blume Capital's investment strategy incorporates three major themes:

First, investing is, by definition, long-term in nature. While short-term trading can, on occasion, provide exceptional returns, it is inherently volatile and, therefore, risky. In contrast, investing on

a long-term basis greatly enhances predictability and increases the likelihood of achieving investment goals. It also minimizes transactional expenses and tax liability.

Secondly, investments in the equity markets have historically provided higher long-term returns than other comparable investment options. Therefore, the firm makes a significant commitment to the equity markets utilizing a "value" style of equity investing.

Thirdly, diversification of assets by asset class (e.g., stocks, bonds) should not only improve long-term returns, but should mitigate downside risk as well.

INVESTMENT STRATEGY

Blume Capital is authorized to enter into any type of investment transaction that it deems appropriate for the account, given the financial circumstances, investment objectives, risk tolerance and investment restrictions, if any, set by the individual client. The Firm currently utilizes a wide variety of investment instruments to implement its investment strategies. These may include, but are not limited to, interests in mutual funds, including indexed funds and exchange traded funds (ETFs), shares of common or preferred stock, convertible stocks or bonds, warrants, rights, corporate, municipal or government bonds, variable annuities, options, and structured notes or bills. The Firm may also utilize alternative investments for qualified clients for whom such investments are deemed suitable. These may include, but are not limited to, private investment company securities, commodity and currency investments, real estate and other investment partnerships and real estate investment trusts (REITs).

The client may make additions to and withdrawals from the client's custodial account at any time. If assets are withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the billing period. Clients may withdraw account assets on notice to Blume Capital, subject to the usual and customary securities settlement procedures. Blume Capital designs its portfolios as long-term investments and asset withdrawals may impair the achievement of a client's investment objectives. Client accounts with significant withdrawals that reduce assets below the Firm's minimum account size may result in the Firm terminating the relationship with the client.

Additions to accounts may be in cash or securities provided that we reserve the right to decline to accept particular securities into a client's account. The Firm will consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

INVESTMENT RISKS

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. For example:

- Short-term purchases – on occasion, generally only for tax management purposes, we may determine to buy or sell securities in a client’s account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security’s value.
- Investments in Hutchinson Partners are subject to very limited liquidity and risks relating to the investment strategies of the management of each portfolio fund in which Hutchinson Partners invests. These and other specific risks relating to an investment in Hutchinson Partners are disclosed in its Private Placement Memorandum provided to all prospective investors.

6. DISCIPLINARY INFORMATION

Blume Capital has no disciplinary history and consequently, is not subject to any disciplinary disclosures.

7. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Blume Capital is an independent investment advisor, unaffiliated with any other financial institution or securities dealer or issuer. Although we recommend that our clients custody their investment accounts at Charles Schwab & Co., Inc. (“Schwab”), we have no affiliation with Schwab, do not supervise its brokerage activities and are not subject to its supervision.

Although we may refer our clients to other professionals such as attorneys or accountants for estate planning, tax or other matters, neither the Firm nor its principals or employees are affiliated with any law or accountancy firm.

8. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Blume Capital, its principals, employees and their immediate families (collectively “employees”) are permitted to buy and sell securities for their personal investment accounts. The Firm manages its own corporate account and the retirement and personal accounts of its shareholders, James B. Blume and Jeffrey V. St.Claire, as well as those of its employees.

The Firm has adopted employee personal trading policies and procedures and a code of ethics to govern proprietary (on behalf of the Firm itself) and employee trading practices. Our employees are required annually to review the Firm’s code of ethics and to sign a certification that each will abide by its provisions. Each employee is required to report all personal securities transactions on a regular basis. No employee is permitted to execute or facilitate any securities transaction on

the basis of inside information. The Firm's employee personal trading policies and code of ethics are made available to clients and prospective clients upon request.

The Firm and/or its employees may personally invest in the same securities that are purchased for client trading accounts and may own securities that are subsequently purchased for client accounts. It is Firm policy that no employee trade will be given preference over the interests of clients. Trades by clients and employees in the same security on the same day must either be aggregated (executed at the same time) or the employee trade must wait until the end of the trading day for execution. If a security is purchased or sold for client accounts and the Firm and/or its employees on the same day, either the Firm and/or its employees will pay or receive the same price as the client account, or the client account will receive the more favorable price. If purchased or sold on different days, it is possible that the Firm and/or employees' personal transactions might be executed at more favorable prices than were obtained or clients. From time to time, trading by Blume Capital and/or its employees in particular securities may be restricted in recognition of impending investment decisions on behalf of clients.

Blume Capital and/or its employees may buy or sell different investments, based on personal investment considerations, which are not deemed appropriate to buy or sell for clients. The Firm is not obligated to acquire for any client account any security that is acquired for any Firm or employee account (or for the account of any other client), if in the discretion of the Firm, based upon the client's financial condition and investment objectives and guidelines, it is not practical or desirable to acquire a position in such security for that account.

It is possible that the Firm or its employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. We may also buy or sell a specific security for our personal accounts based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to buy or sell for clients. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, Blume Capital and/or its employees may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal considerations (i.e., liquidity needs, tax-planning, industry/sector weightings) deem a sale necessary for individual financial planning reasons. If the security subsequently falls in price, these personal transactions could be viewed as a conflict of interest.

9. BROKERAGE PRACTICES

BEST EXECUTION POLICY:

The Firm is not obligated to obtain the best net price or lowest brokerage commission on any particular transaction, but rather to use our reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts. We have adopted standards with respect to executing discretionary trades on behalf of clients which include, without

limitation: net price offered, reputation, financial strength and stability of the executing broker, efficiency of execution and error resolution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call and the availability to Blume Capital complete internet access to the data regarding client's account.

Based upon these standards, Blume Capital may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees or may select broker-dealers whose fees may be greater than those charged for similar investments if Blume Capital determines that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

Most client securities transactions will be executed through the broker-dealer that custodies the client's account in order to avoid "trade away" fees that would result from executing trades at other broker-dealers. Based upon a number of factors, including custodial fees, execution quality, transaction costs and advisor trading platform, among others, Blume Capital recommends that its clients custody their accounts at Charles Schwab & Co. ("Schwab"). Some larger client accounts also use prime brokerage services provided by other brokerage firms. On occasion, if a desired security is not available through Schwab, securities transactions may be executed through another broker-dealer.

For Schwab executions, transaction costs are allocated to each client according to Schwab's fee schedule which is based upon the amount of assets held by the client in the account. For trade away transactions, Blume Capital may not have the authority to negotiate the execution costs that are assessed by the broker-dealer that executes the transaction.

In addition to using brokers as "agents" and paying commissions, Blume Capital may effect transactions in securities directly from or to dealers acting as principal at prices that include markups or markdowns and may purchase from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

RECOMMENDATION OF SCHWAB AS CUSTODIAN AND EXECUTING BROKER

Blume Capital recommends that clients establish brokerage accounts with Charles Schwab & Co., Inc., a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Schwab is independently owned and operated and not affiliated with Blume Capital and does not supervise or otherwise monitor Blume Capital's investment management services to its clients. Schwab provides Blume Capital with access to its institutional trading and custody services, which typically are not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets is maintained in accounts at Schwab, but are not otherwise contingent upon Blume Capital committing to Schwab any specific amount of business (in the form of either assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and

other investments that are otherwise generally available only to institution investors or would require a significantly higher minimum initial investment.

For Blume Capital's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. In cases where a desired security is not available for purchase or sale through Schwab, and in light of Blume Capital's best execution evaluation, certain executions may be made at a different broker-dealer.

Schwab also makes available to Blume Capital other products and services that benefit Blume Capital, but may not benefit its clients. Some of these other products and services assist Blume Capital in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Blume Capital's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Blume Capital's accounts, including accounts not maintained at Schwab. Schwab also makes available to Blume Capital other services intended to help the Firm manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to Blume Capital by independent third parties. Schwab may discount or waive fees it otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to Blume Capital.

Blume Capital's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Blume Capital of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

SOFT DOLLAR ARRANGEMENTS AND POTENTIAL CONFLICTS

Blume Capital may receive from an executing broker or allow a broker to pay for certain research or brokerage services, known as "soft dollar" services and research. Currently, the Firm receives research from Schwab and Morgan Stanley through informal soft dollar arrangements.

"Soft dollars" refers to the use of brokerage commissions on client trades to pay for the soft dollar research or brokerage services received. Because many of these services benefit Blume Capital in conducting its advisory business, and because the soft dollars used to acquire them are assets of its clients (in the form of commissions), Blume Capital could be considered to have a conflict of interest in allocating client brokerage business, in light of a potential incentive to effect more transactions than it might otherwise in order to obtain those benefits.

Although Blume Capital receives soft dollar services and research, it is the Firm's policy is to limit its use of soft dollar arrangements to those falling within the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934, as amended. To be protected under Section 28(e), Blume Capital must, among other things, determine that commissions paid are reasonable in light of the value of the brokerage and "research" services and products acquired. Section 28(e)'s "safe harbor" protects the use of client soft dollars even when the research and brokerage services and products acquired are used in making and implementing investment decisions and transactions for other clients. Only *bona fide* research and brokerage products and services that provide assistance to Blume Capital in the performance of its investment decision-making responsibilities are permitted.

Soft dollar research and services may include among others, economic and market information, portfolio strategy advice, proxy voting services, industry and company comments, technical data, recommendations, research conferences, general reports, periodical subscription fees, consultations, performance measurement data, on-line pricing, news wire charges, quotation services, computer hardware and software. Blume Capital may receive soft dollar credits based on principal, as well as agency, securities transactions with brokerage firms or direct a brokerage firm that executes transactions to share some of its commissions with a brokerage firm that provides soft dollar benefits to Blume Capital. Currently, Morgan Stanley provides investment research through an informal agreement with an imputed annual budget of \$10,000.

With respect to certain computer equipment and software used for both research and non-research purposes, Blume Capital may allocate the costs of such products between their research and non-research uses, and use soft dollars to pay only for the portion allocated to research uses.

The Firm may pay a broker a brokerage commission in excess of that which another broker might charge for effecting the same transaction in recognition of the value of the brokerage, research, other services and soft dollar relationships that broker provides. In such a case, however, our portfolio managers determine in good faith that such commission is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, viewed in terms of either the specific transaction or Blume Capital's overall responsibilities to the portfolios over which it exercises investment authority. An account may, however, pay higher brokerage commissions than are otherwise available or may pay more brokerage commissions based on account trading activity. In addition, the research and other benefits resulting from a brokerage relationship benefit all accounts managed by Blume Capital or Blume Capital's operations as a whole, including clients who direct Blume Capital to use a broker that does not provide soft-dollar benefits. Blume Capital's relationships with brokerage firms that provide soft dollar services may create conflicts of interest, both in allocating brokerage business between firms that provide soft dollar services and firms that do not, and in allocating the costs of mixed-use products between their research and non-research uses. These conflicts of interest may be influential to the extent that Blume Capital uses soft dollars to pay expenses it otherwise would be required to pay itself.

The Firm may, on occasion, be the recipient of unsolicited discounts on software and other services. The discounts are generally offered to all firms who fit a common profile and Blume Capital is not offered such discounts because of a particular event or request. Such discounts are accepted with the intent to benefit all clients and the value of these discounts is not considered in the process of selecting securities to purchase for client accounts.

AGGREGATION OF TRADES AND POTENTIAL CONFLICTS

Our portfolio managers or our trade administrators under their supervision, may aggregate multiple client trades into a single transaction when the portfolio manager determines that aggregation is consistent with the Firm's duty to seek best execution, consistent with the investment objectives for the client accounts participating in the trade and that aggregation would be in the best interests of the participating clients.

When orders are aggregated, the price paid by each account is the average price of the order. Trades are not allocated in any manner that consistently favors one group of similarly-situated clients over another. Client transactions may be aggregated according to custodial relationship in consideration of execution charges that may be imposed if trades are directed to a non-custodial broker-dealer for execution. Aggregated trades placed with different brokers may be priced differently. Aggregated trades in a single security that are filled over the course of several days will be allocated on an average price basis to those accounts participating in the trade on the date of execution of each trade and not on the average price obtained for all trades in the same security over time.

ALLOCATION OF OPPORTUNITIES AND POTENTIAL CONFLICTS

Blume Capital provides investment services for many clients each of whose financial circumstances and objectives are unique. Thus, we may give advice and implement management decisions with respect to one or more clients that may differ from nature of advice and management decisions made with respect to the other clients. The Firm is not obligated to purchase or sell for any particular client any security that it may purchase or sell for the account of another client. Transactions in a specific security may not be accomplished for all client accounts at the same time or same price.

It is our policy, to the greatest extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to all clients. Because the Firm manages more than one client account, there may be a conflict of interest over the allocation of investment opportunities among all accounts managed by us. We endeavor to resolve any such conflicts in a manner that is generally fair to all of our clients over time.

10. REVIEW OF ACCOUNTS

Trading in client accounts is monitored daily by James B. Blume and Jeffrey V. St. Claire, the Firm's portfolio managers. Client account holdings are reviewed monthly by the portfolio managers for

consistency with the client's investment policy statement which details the client's investment objectives, risk tolerance, assets and liabilities and investment restrictions, if any. The portfolio managers continuously monitor client portfolio asset allocations, cash allocations and other account factors. Periodic allocation adjustments may be required due to client investment guideline changes, client deposits and withdrawals and changes in the client's financial condition. Additionally, client accounts are reviewed in response to changes in the financial markets. Each client account is reviewed in depth with the client at least annually at the client's discretion.

11. CLIENT REFERRALS AND OTHER COMPENSATION

Blume Capital does not pay referral fees to any third party firms or individuals for recommending the Firm to prospective clients, nor is the Firm or its employees paid referral fees by any third party for referring clients to their businesses. We do not direct brokerage transactions to any broker-dealer in exchange for receiving client referrals.

Blume Capital employees are not paid "sales awards" or other prizes for referring clients to the Firm.

12. CUSTODY OF CLIENT ASSETS

Except as noted below, Blume Capital does not physically custody client funds or securities and does not accept possession of client cash or securities. Clients establish one or more custodial account(s) for their funds and investment assets with a qualified custodian, (collectively the "Account"). Blume Capital is unable to take even temporary possession of client assets for the purpose of transferring them to the client's account. For the most part, all of Blume Capital's clients are recommended to establish their custodial accounts with Schwab. (See Item 9 above for further information regarding Schwab.) Clients authorize Blume Capital to execute securities trades and related transactions in the Account by providing to the custodian a limited power of attorney reflecting Blume Capital's appointment as investment advisor. Under no circumstances may the limited power of attorney be construed as conferring custody of the client's assets to Blume Capital.

Clients receive monthly statements from the brokerage firm holding the client's account, which is generally Schwab or Pershing. Quarterly reports are provided by Blume Capital with more detailed information, such as cost basis, yield data and percentage appreciation or decline, in each security in the portfolio. Clients also receive a quarterly newsletter commenting on Blume Capital's investment outlook.

At year-end, each client receives a more detailed report from Blume Capital displaying each account's annual and longer term performance. All clients are offered the opportunity to meet formally with us at least annually to review past performance and to discuss changes in the

client's goals as well as changes in investment strategy. In addition, we are regularly and frequently in contact with each client via telephone.

With respect to investments and funds held by Hutchinson Partners, Blume does have custody of such securities and funds. However, actual custody of all Hutchinson Partners funds and securities is maintained at a qualified custodian, currently Pershing, LLC. Not less frequently than quarterly, Pershing issues individual account statements to each member of Hutchinson Partners. The funds and securities held by Hutchinson Partners will be verified by actual examination performed by an independent public accountant during each calendar year at a time determined by the independent public accountant and without prior notice to Blume.

13. INVESTMENT DISCRETION

Blume Capital generally requires investment discretion over investment management client assets including the authority to select the investments to be made and the quantity of securities to be bought and sold. This discretion may be limited by client investment guidelines and any investment restrictions established by the client. Unless a client has directed brokerage, the Firm is authorized to determine the executing broker to be used.

Blume Capital retains discretionary authority over client accounts and is appointed to act as the client's agent with a limited power of attorney to:

- Place purchase and sale orders for securities in the client's investment account and on the client's behalf. While Blume Capital may from time to time consult with clients prior to effecting transactions for the client's investment account, the Firm is granted the authority, in the exercise of its sole discretion, to effect transactions for client's accounts without the prior approval of the client. Notwithstanding Blume Capital's discretionary authority granted in the investment advisory agreement, we will not effect any transaction which would contravene the express directions of the client with respect to the purchase or sale of specific securities.
- Authorize transfer of funds on the client's behalf from one custodian of the client's account to another custodian, or from a custodian to the client; provided, however, that in no event may the client's funds be transferred to Blume Capital nor may Blume Capital cause the transfer of the client's funds other than as specifically directed or approved by the client in the investment advisory agreement or in a separate express written or oral direction or consent.
- Take such other action as may be necessary or desirable to carry out the purpose and intent of the investment advisory agreement and the client's investment policy statement.

Under limited circumstances, the Firm may accept management of a client account on a non-discretionary basis.

Securities transactions are supervised on a continuous basis and each client's portfolio holdings and asset allocations are reported on a quarterly basis.

14. VOTING CLIENT SECURITIES

It is Blume Capital's policy not to vote proxy solicitations received on behalf of clients from the issuers of securities held in client's account. All such solicitations may be forwarded to client for voting upon client request. Any client wishing to review our proxy voting policies in full may request a copy.

15. STATEMENT OF FINANCIAL CONDITION

Blume Capital does not require or solicit prepayment of its management fees from clients six or more months in advance. There are no adverse conditions related to the Firm's finances that are likely to impair its ability to meet its contractual commitments to its clients. The Firm has not been the subject of a bankruptcy filing in the last ten years.