

## Uniform Application for Investment Adviser Registration

## Part II - Page 1

OMB APPROVAL

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Name of Investment Adviser:

Sabino Investment Management, LLC

Address: (Number and Street)

(City)

(State)

(Zip Code)

Area Code Telephone Number

2933 E. Cannes Street

Tucson

AZ

85716

520 790-2070

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any governmental authority.**

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential Persons who are not to respond to the collection of information contained in this form are not  
required to respond unless the form displays a currently valid OMB control number.

Applicant: Sabino Investment Management, LLC	SEC File Number: 801- 68747	Date: 3/10/2009
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<p><b>1. A. Advisory Services and Fees.</b> (check the applicable boxes)</p> <p><b>Applicant:</b></p> <p><input checked="" type="checkbox"/> (1) Provides investment supervisory services <span style="float: right;">100 %</span></p> <p><input type="checkbox"/> (2) Manages investment advisory accounts not involving investment supervisory services <span style="float: right;">_____ %</span></p> <p><input checked="" type="checkbox"/> (3) Furnishes investment advice through consultations not included in either service described above <span style="float: right;">0 %</span></p> <p><input type="checkbox"/> (4) Issues periodicals about securities by subscription <span style="float: right;">_____ %</span></p> <p><input type="checkbox"/> (5) Issues special reports about securities not included in any service described above <span style="float: right;">_____ %</span></p> <p><input type="checkbox"/> (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which client may use to evaluate securities <span style="float: right;">_____ %</span></p> <p><input type="checkbox"/> (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities <span style="float: right;">_____ %</span></p> <p><input type="checkbox"/> (8) Provides a timing service <span style="float: right;">_____ %</span></p> <p><input type="checkbox"/> (9) Furnishes advice about securities in any manner not described above <span style="float: right;">_____ %</span></p> <p style="text-align: center;">(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)</p>	<p>For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)</p>
<p style="text-align: right;">Yes No</p> <p>B. Does applicant call any of the services it checked above financial planning or some similar term? <span style="float: right;"><input type="checkbox"/> <input checked="" type="checkbox"/></span></p>	
<p>C. Applicant offers investment advisory services for: (check all that apply)</p> <p><input checked="" type="checkbox"/> (1) A percentage of assets under management <span style="margin-left: 100px;"><input type="checkbox"/> (4) Subscription fees</span></p> <p><input checked="" type="checkbox"/> (2) Hourly charges <span style="margin-left: 100px;"><input type="checkbox"/> (5) Commissions</span></p> <p><input type="checkbox"/> (3) Fixed fees (not including subscription fees) <span style="margin-left: 100px;"><input type="checkbox"/> (6) Other</span></p>	
<p>D. For each checked box in A above, describe on Schedule F:</p> <ul style="list-style-type: none"> <li>• the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee</li> <li>• applicant's basic fee schedule, how fees are charged and whether its fees are negotiable</li> <li>• when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date</li> </ul>	
<p><b>2. Types of Clients</b> -- Applicant generally provides investment advice to: (check those that apply)</p> <p><input checked="" type="checkbox"/> A. Individuals <span style="margin-left: 100px;"><input type="checkbox"/> E. Trusts, estates, or charitable organizations</span></p> <p><input type="checkbox"/> B. Banks or thrift institutions <span style="margin-left: 100px;"><input type="checkbox"/> F. Corporations or business entities other than those listed above</span></p> <p><input type="checkbox"/> C. Investment companies <span style="margin-left: 100px;"><input type="checkbox"/> G. Other (describe on Schedule F)</span></p> <p><input checked="" type="checkbox"/> D. Pension and profit sharing plans</p>	

**3. Types of Investments** Applicant offers advice on the following: (check those that apply)

- |   |  |
|---|--|
| <input type="radio"/> A. Equity securities  | <input type="radio"/> H. United States governmental securities   |
| <input type="radio"/> (1) exchange-listed securities                                |  |
| <input type="radio"/> (2) securities traded over-the-counter                        | <input type="radio"/> I. Options contracts on:                   |
| <input type="radio"/> (3) foreign issuers   | <input type="radio"/> (1) securities                             |
|   | <input type="radio"/> (2) commodities                            |
| <input type="radio"/> B. Warrants   |  |
| <input type="radio"/> C. Corporate debt securities<br>(other than commercial paper) | <input type="radio"/> J. Futures contracts on:                   |
| <input type="radio"/> D. Commercial paper   | <input type="radio"/> (1) tangibles                              |
| <input type="radio"/> E. Certificates of deposit                                    | <input type="radio"/> (2) intangibles                            |
| <input type="radio"/> F. Municipal securities                                       |  |
| <input type="radio"/> G. Investment company securities:                             | <input type="radio"/> K. Interests in partnerships investing in: |
| <input type="radio"/> (1) variable life insurance                                   | <input type="radio"/> (1) real estate                            |
| <input type="radio"/> (2) variable annuities  | <input type="radio"/> (2) oil and gas interests                  |
| <input type="radio"/> (3) mutual fund shares  | <input type="radio"/> (3) other (explain on Schedule F)          |
|   | <input type="radio"/> L. Other (explain on Schedule F)           |

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

A. Applicant's security analysis methods include: (check those that apply)

- |   |   |
|---|---|
| <input type="radio"/> (1) <input type="radio"/> Charting    | <input type="radio"/> (4) <input type="radio"/> Cyclical                      |
| <input type="radio"/> (2) <input type="radio"/> Fundamental | <input type="radio"/> (5) <input type="radio"/> Other (explain on Schedule F) |
| <input type="radio"/> (3) <input type="radio"/> Technical   |   |

B. The main sources of information applicant uses include: (check those that apply)

- |   |   |
|---|---|
| <input type="radio"/> (1) <input type="radio"/> Financial newspapers and magazines    | <input type="radio"/> (5) <input type="radio"/> Timing services   |
| <input type="radio"/> (2) <input type="radio"/> Inspections of corporate activities   | <input type="radio"/> (6) <input type="radio"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| <input type="radio"/> (3) <input type="radio"/> Research materials prepared by others | <input type="radio"/> (7) <input type="radio"/> Company press releases  |
| <input type="radio"/> (4) <input type="radio"/> Corporate rating services             | <input type="radio"/> (8) <input type="radio"/> Other (explain on Schedule F)   |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |   |   |
|---|---|
| <input type="radio"/> (1) <input type="radio"/> Long term purchases (securities held at least a year) | <input type="radio"/> (5) <input type="radio"/> Margin transactions   |
| <input type="radio"/> (2) <input type="radio"/> Short term purchases (securities sold within a year)  | <input type="radio"/> (6) <input type="radio"/> Option writing, including covered options, uncovered options, or spreading strategies |
| <input type="radio"/> (3) <input type="radio"/> Trading (securities sold within 30 days)              | <input type="radio"/> (7) <input type="radio"/> Other (explain on Schedule F)   |
| <input type="radio"/> (4) <input type="radio"/> Short sales   |   |

Applicant: Sabino Investment Management, LLC	SEC File Number: 801- 68747	Date: 3/10/2009
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<b>5. Education and Business Standards.</b>	Yes No
Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients?.....	<input checked="" type="radio"/> <input type="radio"/>
(If yes, describe these standards on Schedule F.)	

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

• name	• formal education after high school
• year of birth	• business background for the preceding five years

**7. Other Business Activities.** (check those that apply)

☒ A. Applicant is actively engaged in a business other than giving investment advice.

☒ B. Applicant sells products or services other than investment advice to clients.

☒ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

☒ A. Applicant is registered (or has an application pending) as a securities broker-dealer.

☒ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.

C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:

<input checked="" type="radio"/> (1) broker-dealer	<input checked="" type="radio"/> (7) accounting firm
<input checked="" type="radio"/> (2) investment company	<input checked="" type="radio"/> (8) law firm
<input checked="" type="radio"/> (3) other investment adviser	<input checked="" type="radio"/> (9) insurance company or agency
<input checked="" type="radio"/> (4) financial planning firm	<input checked="" type="radio"/> (10) pension consultant
<input checked="" type="radio"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant	<input checked="" type="radio"/> (11) real estate broker or dealer
<input checked="" type="radio"/> (6) banking or thrift institution	<input checked="" type="radio"/> (12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

Yes No

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?...

☒ ☐

(If yes, describe on Schedule F the partnerships and what they invest in.)

**9. Participation of Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☐ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☐ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

**10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account?

Yes No

☒ ☐

(If yes, describe on Schedule F.)

**11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggers factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Accounts are normally reviewed on a biweekly basis. Accounts will be reviewed for asset allocation levels and for appropriate buy and sell orders on individual securities. Triggering factors include relative valuations among asset classes and relative valuations within asset classes. Securities which are monitored for possible purchase or sale may reach price levels which will require action at times other than a normal review.

Robert Gerald Kahl, Managing Member, will be the only person responsible for reviewing all accounts.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

Clients will receive confirmations and monthly statements from the broker or custodian. Sabino Investment Management, LLC sends a position report, year-to-date performance report, and client newsletter at the end of each calendar quarter. The client newsletter provides a market outlook and a description of significant changes to the portfolios. At the end of the year, clients will also receive a schedule of realized gains and losses.

**12. Investment or Brokerage Discretion.**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- |  |                       |                       |
|--|-----------------------|-----------------------|
| (1) securities to be bought or sold? .....               | Yes                   | No                    |
|  | <input type="radio"/> | <input type="radio"/> |
| (2) amount of the securities to be bought or sold? ..... | Yes                   | No                    |
|  | <input type="radio"/> | <input type="radio"/> |
| (3) broker or dealer to be used? .....                   | Yes                   | No                    |
|  | <input type="radio"/> | <input type="radio"/> |
| (4) commission rates paid? .....                         | Yes                   | No                    |
|  | <input type="radio"/> | <input type="radio"/> |

B. Does applicant or a related person suggest brokers to clients? ..... ☐ Yes ☐ No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commission higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- |   |                       |                       |
|---|-----------------------|-----------------------|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? ..... | Yes                   | No                    |
|   | <input type="radio"/> | <input type="radio"/> |
| B. directly or indirectly compensates any person for client referrals? .....  | Yes                   | No                    |
|   | <input type="radio"/> | <input type="radio"/> |

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
  - requires prepayment of more than \$500 in fees per client and 6 or more months in advance
- Has applicant provided a Schedule G balance sheet? ..... ☐ Yes ☐ No

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV  
Part II**

Applicant:	SEC File Number:	Date:
Sabino Investment Management, LLC	801- 68747	3/10/2009

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Form ADV: Sabino Investment Management, LLC	IRS Empl. Ident. No.: 86-0937684
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Item of Form (identify)	Answer												
1.D.	<p>For managed accounts, the account application form grants a limited power of attorney to authorize the Adviser to place trades via phone or the broker/custodian's website. Orders are placed for clients in a manner consistent with written investment guidelines. The Adviser does not manage any margin accounts.</p> <p>The Adviser may consult with clients who do not have managed accounts. The nature of the consultation with such clients will vary, depending on the nature of the clients' questions. Consultations with clients who do not have managed accounts will be billed at \$150 per hour.</p> <p>The Adviser does not issue any publications or reports on a subscription basis or for a fee.</p> <p>Fees for managed accounts are based upon a percentage of the assets managed. The annual fee schedule is based on the type of account as follows:</p> <table><tr><td></td><td><u>Accounts with Equities</u></td><td><u>Fixed Income</u></td></tr><tr><td>On the first \$1,000,000</td><td>1.00%</td><td>0.70%</td></tr><tr><td>On the next \$4,000,000</td><td>0.80%</td><td>0.50%</td></tr><tr><td>Additional funds</td><td>0.60%</td><td>0.30%</td></tr></table> <p>The minimum account size is \$200,000. Under certain circumstances, smaller accounts may be accepted and fees may be negotiated.</p> <p>Fees on managed accounts are billed in advance at the beginning of each calendar quarter. If the advisory service begins on a date other than the beginning of a calendar quarter, the initial fee shall be prorated and added to the billing for the following quarter. The fee for each calendar quarter shall be determined by multiplying the market value of the assets held in the account at the beginning of each quarter by ¼ of the applicable annual fee. The account application form may authorize the broker or custodian to pay such fees based upon the invoice provided by the Adviser.</p> <p>Service on a managed account may be terminated by written notice from either party. A refund of any unearned management fees will be paid within 30 days of termination.</p>		<u>Accounts with Equities</u>	<u>Fixed Income</u>	On the first \$1,000,000	1.00%	0.70%	On the next \$4,000,000	0.80%	0.50%	Additional funds	0.60%	0.30%
	<u>Accounts with Equities</u>	<u>Fixed Income</u>											
On the first \$1,000,000	1.00%	0.70%											
On the next \$4,000,000	0.80%	0.50%											
Additional funds	0.60%	0.30%											
3.L.	The Adviser may invest in closed-end funds and exchange-traded funds.												
5.	A college degree is required. An MBA degree and prior investment management experience is preferred.												

Complete amended pages in full, circle amended items and file with execution page (page 1). PAGE 1

**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV  
Part II**

Applicant:	SEC File Number:	Date:
Sabino Investment Management, LLC	801- 68747	3/10/2009

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Form ADV: Sabino Investment Management, LLC		IRS Empl. Ident. No.: 86-0937684
Item of Form (identify)	Answer	
6.	<p>Robert Gerald Kahl, CFA, CPA was born in 1955. University of Arizona, BS (accounting), 1976. University of California at Berkeley, MBA (finance and marketing), 1980</p> <p>After receiving his MBA, Mr. Kahl worked as an accounting/financial analyst at Mattel, Inc., Tosco Corporation, and Xerox. He also worked as a per diem accountant for a variety of other organizations. During 1993-1994, Mr. Kahl worked as a senior portfolio associate/portfolio manager at Bank of America in the Investment Management &amp; Trust Services Division where he managed approximately 280 accounts (\$116 million). Prior to starting his investment advisory service in May 1997, he worked as a per diem accountant/financial analyst at Agrometrics, Inc., Wells Fargo Bank, and two public accounting firms.</p>	
9.E.	<p>For managed accounts, employees of the Adviser will often buy or sell some of the same securities in their personal accounts that are bought or sold for clients. In such cases, the clients' accounts will always receive priority. Clients' buy or sell orders will be completed prior to the placement of any transaction orders for the Adviser's accounts.</p> <p>When security recommendations are made to clients who do not have managed accounts, the Adviser shall disclose any financial interest in the security.</p> <p>The Adviser has adopted a Code of Ethics expressing the firm's commitment to ethical conduct and its fiduciary duty to its clients. The Code of Ethics specifically (1) requires employees to place the interest of clients above their own personal interests, (2) prohibits any trading based upon material nonpublic information, and (3) establishes policies and procedures to protect the security of confidential client information. The Adviser's Code of Ethics also incorporates, by reference, the CFA Institute Code of Ethics and Standards of Professional Conduct.</p> <p>All employees must comply with all applicable Federal and State regulations governing registered investment advisory practices. Any employee who does not comply with the firm's Code of Ethics and applicable regulations may be subject to termination. Clients or prospective clients may request a complete copy of the Adviser's Code of Ethics by contacting the firm.</p>	
10.	<p>The minimum account size for a managed account is generally \$200,000 but smaller accounts may be accepted under certain circumstances.</p>	
12.A.	<p>Generally, the Adviser's written agreement with clients will grant discretion with regard to the type and amount of securities to be bought or sold. The Adviser will exercise judgment in a manner consistent with any written investment guidelines, taking into</p>	

Complete amended pages in full, circle amended items and file with execution page (page 1). PAGE 2

**Schedule F of  
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Continuation Sheet for Form ADV  
Part II**

Applicant:	SEC File Number:	Date:
Sabino Investment Management, LLC	801- 68747	3/10/2009

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Form ADV: Sabino Investment Management, LLC	IRS Empl. Ident. No.: 86-0937684
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Item of Form (identify)	Answer
12.A.(3) & (4)	<p>account suitability for the client, size of the account, and diversification requirements.</p> <p>Effective as of 1/1/2007, the Adviser requires clients to select TD Ameritrade as their broker and custodian. Exceptions may be made for large institutional accounts. Accounts at TD Ameritrade will be subject to the broker's standard commission schedule.</p> <p>If an account is accepted at another custodian besides TD Ameritrade, the Adviser will require written instructions regarding direction of transactions. Under such circumstances, it is the client's responsibility to negotiate commissions, which will vary among clients. In such instances, best execution may not be obtained.</p> <p>The primary factor in selecting or recommending a broker is the ability to minimize transaction costs, taking into account both the commissions paid and the price at which a transaction is executed. The best prices for securities which are not traded on an exchange can often be obtained from firms which act as principals and have a substantial amount of capital committed to making a market in such securities. The reasonableness of commissions will be ascertained by a comparison to other brokerage firm commission schedules as well as subjective judgment regarding the brokerage firm's ability to make a market in securities and to execute transactions properly.</p> <p>The aggregation or blocking of client transactions allows the Adviser to execute transactions in a more timely, equitable, and efficient manner. Clients participating in any aggregated transactions will receive an average share price. Personal transactions of the Adviser's employees may be included in an aggregate transaction if it is for a mutual fund, government bond, or other type of bond where there is no effect on the clients' allocation or execution price. If an aggregate transaction is not completed during the day and a partial allocation is necessary, transactions shall be allocated to client accounts based upon cash requirements, the number of shares to be allocated, and whether there are related accounts that will not receive a partial allocation. The Adviser seeks to reduce overall commission charges to clients, while being fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients.</p>
12.B.	<p>The Adviser obtains and reviews a letter of representation from TD Ameritrade regarding best execution practices for all orders. In addition, if the Adviser has any reason to believe that best execution on a transaction was not obtained, an inquiry will be made to the broker.</p> <p>The Adviser's research material is obtained primarily from financial publications paid for by the Adviser as well as SEC filings, and annual or quarterly reports. The Adviser may also use products, research, and other services of a brokerage firm. Research</p>

Complete amended pages in full, circle amended items and file with execution page (page 1). PAGE 3

**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV  
Part II**

Applicant:	SEC File Number:	Date:
Sabino Investment Management, LLC	801- 68747	3/10/2009

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Form ADV: Sabino Investment Management, LLC	IRS Empl. Ident. No.: 86-0937684
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Item of Form (identify)	Answer
	<p>reports will be used for the benefit of all accounts. Clients may pay commissions higher than those obtainable from other brokers in return for these products and services.</p> <p><u>Other Matters - Proxy Voting</u></p> <p>The Adviser shall vote proxies for clients if an authorization form is completed by the client. When the authorization is granted, the Adviser will exercise its best judgment to vote the proxies in the best interests of its clients. A statement of the Adviser's proxy policies and procedures is available upon request.</p>

Complete amended pages in full, circle amended items and file with execution page (page 1). PAGE 4

SABINO INVESTMENT MANAGEMENT, L.L.C.  
PROXY VOTING POLICIES AND PROCEDURES  
Effective January 1, 2004

Sabino Investment Management, LLC (the Adviser) is authorized by some clients to vote proxies. When the authorization is granted, the Adviser will exercise its best judgment to vote the proxies in the best interests of its clients.

How to Obtain Proxy Voting Information

If a client wishes to obtain information on how proxies for their securities were voted, a written request should be submitted to the Adviser. The Adviser will respond within 30 days of the request.

Conflict of Interest

If there is a potential conflict of interest that could influence the Adviser's vote, the Adviser will notify clients in writing to disclose the conflict of interest and obtain their consent before voting.

Materiality

If there are no material corporate governance issues on a proxy and the cost of voting the proxy exceeds the expected benefit to the client, the Adviser may refrain from voting the proxy.

Voting on Directors

Generally, corporate boards of directors nominate a slate of directors for approval by the shareholders. The numbers of directors nominated is usually equal to the number of vacancies on the board. The Adviser may withhold approval for a proposed director if it believes that a director serves on too many corporate boards, lacks the proper qualifications, has no significant ownership in the company, or may not act in the best interest of the shareholders.

Voting on Stock Option and Restricted Stock Incentive Plans

The benefit to shareholders of stock option and restricted stock option plans is to provide some incentive for employees to act in the best interests of the shareholders. This benefit must be weighted against the potential dilution of the existing shareholders' ownership interest. The Adviser will vote against plans which restrict options to a small group of managers and are unlikely to influence the behavior of most employees. The Adviser will also vote against plans where the potential dilution to existing shareholders is unacceptable due to the issuance of a large number of options or restricted shares.

Voting on Mergers, Acquisitions, and Other Corporate Reorganizations

Circumstances vary widely on major transactions. The Adviser will exercise its best judgment on such issues.

Approval of Auditors

Generally, the incumbent auditing firm can provide the service at the lowest cost because it is already familiar with a company's business and its accounting policies and procedures. However, changes in auditors may sometimes be warranted.

Sabino Investment Management, L.L.C.

Robert G. Kahl, CFA, CPA, MBA  
2933 E. Cannes Street  
Tucson, AZ 85716-1153

Phone: (520) 790-2070  
Fax: (520) 790-2078  
e-mail: [rgkahl@sabino.biz](mailto:rgkahl@sabino.biz)

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**Notice re: Non-public Personal Information**

The purpose of this notice is to comply with the Gramm-Leach-Bliley Act, which created new privacy laws and regulations for customers and consumers.

Sabino Investment Management, L.L.C. does not disclose any confidential personal information about our customers or former customers to anyone, except as permitted by law.