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Firm Brochure

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This brochure provides information about the qualifications and business practices of The Stoneharbor Group, LLC. If you have any questions about the contents of this brochure, please contact Stewart Gardner, President at: 1-505-984-2000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about The Stoneharbor Group is also available on the internet at:
www.adviserinfo.sec.gov.

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The Company

The Stoneharbor Group, LLC was established in 1997 as a Massachusetts Limited Liability Company. The majority owner is Stewart A. Gardner.

Code of Ethics

The Firm is dedicated to providing effective and proper professional investment management services to its clients and depends upon a high level of public and client confidence for its success. Stoneharbor Group has adopted a Code of Ethics that details our expectation that all of our principals and employees will comply with all securities laws, will always act in the best interest of our clients, and will conduct themselves in accordance with the highest professional standards. A copy of our Code of Ethics is available on request.

Services and Fees

The Stoneharbor Group serves as an investment adviser to high net worth individuals and families and also serves as investment adviser to the Gryphon Opportunity Fund, Limited Partnership.

Services to High Net Worth Individuals and Families

Our primary fiduciary goal when managing portfolios for individuals is preservation of capital. Our secondary goal is to increase capital.

Our primary investment mission is to earn positive returns on client portfolios. Our secondary investment goal is to avoid portfolio losses.

All portfolios are individually managed with the specific needs and objectives of each client in mind.

For each client, we first determine the optimal mix of assets that we feel will best meet the income and appreciation objectives of the client in conjunction with their individual tolerance for risk. We choose from the following types of investments when implementing an investment program:

- Publicly traded stocks and bonds
- Alternative investment strategies, which may include:
 - Private investment partnerships in a fund of funds structure
 - Private Equities
 - Pooled Real Estate Investment opportunities
- Specialized sub-advisers to augment our proprietary areas of expertise

Our clients have chosen us for our expertise in investment management. All portfolios are managed on a discretionary basis, meaning that we will choose the specific investments for your account based on the overall objectives we have established in consultation with you. The account agreement you sign with us confirms this arrangement.

Clients have the right to request that we do not invest in industries or individual companies with which they are not comfortable.

Fees for Individually Managed Accounts

Management fees are assessed according to the following schedule:

Assets under Management	Annual Percentage Rate
First \$5,000,000	1.0%
Next \$5,000,000	.75%
Balance over \$10,000,000	.5%

Fees are calculated at a rate equal to $\frac{1}{4}$ of the annual rate and are collected quarterly in advance.

If a client terminates his or her relationship with The Stoneharbor Group, fees paid in advance will be automatically refunded. The amount of the refund will be equal to the pre-paid fee for the quarter, multiplied by a ratio equal to the number of remaining days in the quarter, divided by the total days in the quarter.

While it is our preference to deduct fees directly from the managed account, arrangements can be made for fees to be invoiced.

In some circumstances, fees may be negotiated when certain assets held in the account are not subject to active management.

In addition to the management fees detailed above, clients pay separate fees for custody and brokerage transaction costs. These fees are paid directly to the service providers.

Services to Investment Partnerships

The Stoneharbor Group is the general partner of, and the investment manager for, the Gryphon Opportunity Fund. It may assume similar roles with other pooled investment vehicles in the future.

The Gryphon Opportunity fund is a private investment partnership that invests in value based hedge funds, other pooled investment partnerships, private equity, and public securities. While the individual hedge funds held by Gryphon are managed by the hedge fund sponsors, Stoneharbor is responsible for selecting the hedge funds in which Gryphon invests.

Investment Partnership Fees

The Gryphon Opportunity Fund, managed by The Stoneharbor Group, pays an annual management fee equal to 1% of assets under management. Fees are collected quarterly in arrears. Management fees paid by investment partnerships are not negotiable. Stoneharbor may set up additional partnerships to manage.

Depending on the partnership agreement, a partnership may also pay an incentive share of profits to the general partner, Stoneharbor. Incentive fees are in addition to the 1% investment management fee.

Assets Under Management

As of March 31, 2010 Stoneharbor's assets under management were:

Individual Accounts: \$35.7* million

Pooled Investment Partnerships: \$22.3 million

Total Assets under Management: \$58.0 million

Additionally, Stoneharbor has been retained by its Custodian, Ram Trust Services, to provide investment advisory services to another \$11.9 million in assets. Combined assets under management and advisory services are \$69.9 million.

Investment Professionals

Stewart A. Gardner

Principal and Founder

Mr. Gardner is Chairman of the Investment Committee, with specific responsibility for determining overall investment strategy and identifying alternative investment opportunities for the firm's clients. Mr. Gardner is a graduate of Le Rosey School in Switzerland. He received his Bachelor's degree from Harvard University with Honors in Government and a MBA in International Business and Finance from Columbia University's School of Business.

Mr. Gardner began investing during his college years when he was first exposed to the stock market through his family's advisory firm, Gardner & Preston Moss of Boston, and has served as trustee of numerous family trusts for more than twenty-five years. In 1981 he launched the family limited partnership predecessor to the Gryphon Opportunity Fund to specifically exploit investment opportunities ignored by traditional investment advisory firms. In 1997 he founded The Stoneharbor Group, LLC as a response to his experience with the limitations of standard portfolio management practiced at many banks and investment houses.

Curtis J. Anderson, CFA

Senior Portfolio Manager and member of the Investment Committee

Mr. Anderson participates directly in shaping overall investment strategy. Together with Mr. Gardner he designs and builds client portfolios according to an Investment Policy Statement written for each client. He is responsible for ensuring that all client portfolios are invested according to their individualized investment objectives. Mr. Anderson earned both an MBA and a BS in Finance from the University of Utah, and was awarded the Chartered Financial Analyst designation in 1990.

Mr. Anderson has more than 20 years experience in investment analysis and portfolio management. Prior to joining The Stoneharbor Group, he was the Founder and Executive Manager of Brahma Capital Management, a regional registered investment advisor that specialized in managing the assets of high net worth individuals. Prior to that position he was CEO, Partner and Director for American Medibanc, a private equity investment that was sold to a large private equity firm after experiencing significant growth in business and profits. Earlier in his career he managed a balanced mutual fund and sub-

* Assets under management reported for individual accounts excludes the portion of any account invested in The Gryphon Opportunity Fund.

managed accounts for Founders Asset Management and was responsible for \$1.0 billion of managed assets. He also held the position of Senior Vice President, Director of Research and was a member of the Board of Directors for First Security Investment Management. In that role he personally managed over \$1.5 billion in assets and oversaw total firm assets under management of \$6 billion.

Stephen Spence

Senior Research Analyst and member of the Investment Committee

As Senior Research Analyst, Mr. Spence is responsible for analyzing investment opportunities to be included in the firm's core equity income strategy, The Stoneharbor Strategic Income Portfolio ("SSI") and presenting his conclusions to the Committee. Ideas will normally be generated across the investment committee and Mr. Spence will then conduct a broad screening of similar companies to analyze in order to filter out the best candidates. In addition to these responsibilities he initiates and generates income oriented ideas and opportunities separately. Mr. Spence is responsible for the ongoing monitoring of each of our liquid investments, setting buy and sell targets, and sounding the alarm if action needs to be taken. He received his BA from Northwestern University and an MBA in finance from Washington University in St. Louis where he was inducted into Beta Gamma Sigma, the National Business Honor Society.

Prior to joining The Stoneharbor Group Mr. Spence served as an equity research analyst for twelve years in regional investment banking and independent research firms. He has been recognized in the Wall Street Journal's "Best on the Street" All-Star Analyst rankings.

Methods of Analysis, Investment Strategies and Risk of Loss

Portfolio Management for Individuals

Portfolios are built around a core foundation of traditional, publicly traded securities. Non-bond income strategies are also used to enhance performance and reduce portfolio volatility. When appropriate, alternative investments may comprise a portion of a client's portfolio. It is also possible that sub-advisors may be used to implement specific strategies.

Stoneharbor Group Portfolio Managers use the following procedures to select investments and manage client accounts:

Direct Investments

Portfolio composition is designed to (at a minimum) preserve capital, with a goal of increasing capital through income accumulation and capital appreciation. Most portfolios will hold positions in equity income securities that are selected based on above average dividend and distribution streams and select US and international institutional money market funds. Holdings may also include a sub-advised Value Portfolio which seeks long term appreciation by selecting publicly traded stocks with robust cash flows and lower than average price-to-earnings and price-to-book ratios. Where appropriate, portfolios will also have allocations to Pooled Investment Vehicles.

Stoneharbor invests in securities based on their own merits and strategic fit. No attempt is made to mimic any index, and sectors may be over-weighted based on perceived opportunities within the sector(s). Investments may be made in domestic or international securities. In the case of international securities, the

Firm considers the economy, the company, and the effect of foreign exchange rate changes on the portfolio's total return.

Allocations to alternative investment strategies for eligible high net worth clients may include investments in real estate partnerships, investments in the Stoneharbor-advised Gryphon Opportunity Fund, and similar vehicles.

Portfolio Management of Pooled Investment Partnerships – The Gryphon Opportunity Fund

Direct investments in the Gryphon Opportunity Fund are selected according to several criteria. First, the manager of a Pooled Investment Vehicle being considered as an investment must operate in a professional and ethical manner the General Partner believes is of the highest standard. Second, the investment should have a superior performance record over time. Third, the manager's investment philosophy must be compatible with that of Stoneharbor, i.e., value and/or opportunistic investing. Fourth, the assets of the Pooled Investment Vehicle must currently be deemed by the General Partner to fit within the Partnership's current overall investment strategy.

No single investment in Gryphon will exceed forty percent (40%) of the assets of the Partnership at the time of purchase. Pooled Investment Vehicles that are hedge funds can be expected to have significant portfolio turnover, the expense of which will be borne indirectly by the Limited Partners.

Pooled Investment Vehicles in which the Gryphon Opportunity Fund invests may themselves invest in a broad range of securities and other assets of all types, including, without limitation, common stock, preferred and convertible preferred stock and other equity securities, foreign equity securities, fixed income securities, private or governmental (including Federal, state, municipal or other governmental entities), corporate bonds, notes, loans, and debentures (whether secured or unsecured), real estate, options, futures, other derivatives, warrants, rights, commodities and commodities futures and any other securities or assets of any kind. Certain of the Investments held in Gryphon may be venture capital or leveraged buyout funds (and may therefore own a controlling Interest in the companies in which they invest) or real estate investment funds.

Cash Management

All excess cash in client accounts is swept to an interest-bearing, institutional money market fund on a daily basis.

Risk of Loss

Any investment may decrease in value at any time, and the value of accounts managed by us may decline. Although we have a strong history of positive performance, there is no guarantee that future performance of any individual investment or a client's portfolio as a whole will be positive.

Our alternative investment strategies typically bear risks that are higher than those of publicly traded stocks and bonds. One reason for the enhanced risk is that these assets are not liquid (not capable of being converted to cash within a matter of days).

Other assets will bear their own unique risks. For example, real estate may decline as a result of the current credit crisis. Private equity firms may not be able to receive sufficient capital to continue operating, or hedge fund strategies may not be successful.

Conflicts of Interest

Performance Fees

The Stoneharbor Group may earn performance fees through management of the Gryphon Opportunity Fund. It also earns asset-based fees by managing portfolios for individuals. This is a potential conflict of interest because portfolio managers could have an incentive to favor accounts that earn performance fees over those that don't. This potential conflict is mitigated by a combination of the following factors:

- We are a small firm with high staff to client ratios, which ensures that close attention is paid to all accounts
- We review all accounts frequently and thoroughly
- Our compliance department reviews each portfolio against stated account objectives, and to ensure that trades are allocated fairly across accounts

Investments

Stoneharbor may recommend investment in pooled investment partnerships in which it has a material financial interest because its President also is invested in the partnership and/or because Stoneharbor Group may earn performance fees.

Clients are not solicited for investment in these partnerships unless they meet strict financial criteria and can bear the risks associated with this type of investment.

The President or other principals often invest in the same securities recommended to Stoneharbor clients. This can create a conflict of interest if they buy or sell their holdings before effecting the same transactions for the accounts of their clients. In the case of purchases when a stock's price is rising, or sales when the stock price is falling, they could potentially purchase the shares at a lower cost (or sell at a higher price) than what they would be able to obtain for their clients. This practice is known in the industry as "trading ahead" and is strictly prohibited by The Stoneharbor Group.

To ensure that this does not happen, purchases and sales are allocated pro-rata across all accounts. As a further assurance that principals are not trading ahead of clients, all Stoneharbor employees are required to disclose all personal trading activity to the compliance department for review on a quarterly basis.

Custody

Ram Trust Services is the recommended custodian for Stoneharbor clients. Separate custody fees are charged by Ram for its services. Neither Mr. Gardner nor The Stoneharbor Group receives any payment for recommending Ram Trust as custodian. Ram provides the following custodial services to Stoneharbor clients:

Safekeeping of Assets

Publicly traded stocks and bonds are held directly by Northern Trust Company. Securities held in paper form, such as stock certificates or subscription documents evidencing ownership in pooled investment partnerships are held in Ram Trust's vault at Bangor Savings Bank in Portland, Maine.

Recordkeeping

Ram records all activities related to client assets such as cash disbursements, stock splits, securities purchases and sales, and collects all dividend and interest payments.

Statement Rendition

Ram will render a statement on a quarterly basis showing all assets held in your account, and all activity occurring in the account since the last statement. Statements may be requested by clients on a monthly basis, and are also available on-line through a secure website.

Account Valuation

The prices of all publicly traded securities held in client accounts are updated by Ram on a nightly basis. The value of the Gryphon Opportunity Fund is updated monthly. All other securities' prices are updated on either a quarterly or annual basis.

Brokerage Practices

Broker Selection

We select brokers based on the following:

- Ability to execute trades in accordance with our instructions and in a timely manner
- Ability to trade on particular exchanges in home country currency (for example, the Toronto Exchange when trading Canadian securities)
- Commission prices
- Quality of the brokerage firm's research
- Ability to settle trades (deliver the shares) in a timely manner

In order to determine the reasonableness of a broker's commissions, we periodically "shop" for other broker relationships to compare their rates and services, and establish new relationships when deemed appropriate.

When establishing relationships with brokers to obtain access to their research, we negotiate per share rates that are no more expensive than those we pay to any other broker.

Quality of service in trading and execution is our number one priority, and we will not maintain brokerage relationships with brokers who don't fulfill our expectations for execution and settlement capability.

Directed Brokerage

Unless a client requests that we execute trades through a particular broker, we will select the broker to be used for any given trade.

Clients may request we use a specific broker to execute trades in their account. Unless there is a concern on our part as to the broker's qualifications or abilities, we will accommodate the client's request. When doing so however, since we will be trading for a single account, and not batching the shares with those of other

clients, the commission charge per share will most likely be higher than that of the larger trade. We typically aggregate trades for multiple client accounts to reduce commission costs, but also to ensure that all clients are fairly treated by obtaining the same stock prices for all clients buying/selling the same security.

Review of Accounts

Account Review Schedule

All securities held in client accounts are reviewed according to the following schedule:

- Publicly traded securities: daily
- Private equities: semi-annually
- Pooled Investment Vehicles: monthly

Client accounts are formally reviewed on a quarterly basis to ensure that asset allocation decisions have been appropriately implemented in individual client accounts.

Reports

Clients receive a quarterly report from our custodian showing all transaction in their accounts for the preceding quarter, as well as a listing of all holdings in their account with both cost and market values shown. Clients are strongly encouraged to carefully review their statements and call us with any questions.

Clients invested in Gryphon Opportunity Fund receive a monthly newsletter discussing fund performance in both narrative and graphical presentation.

Voting of Client Securities

Clients may choose whether they would like us to vote their shares in corporate matters, or if they would like to retain that right.

Our custodian votes the proxies for those clients who do not wish to vote their own shares. We review the Custodian's proxy voting policies on an annual basis to ensure that we agree that their policies best represent the economic interests of our clients, and you may request a copy of these proxy voting policies at any time. To aid them in their voting, the Custodian subscribes to The Corporate Library's Board Analyst database. Board Analyst provides comprehensive company profiles detailing board profiles, detailed director biographies, executive compensation information, and corporate governance ratings.

Additional Information

Contact Information

Please contact us if you would like copies of any of the following documents:

- Privacy Policy
- Proxy Voting Policy
- Code of Ethics

If you have any questions about our services generally, or your account specifically, please contact Stewart Gardner at 1.505.984.2000, or via e-mail at: sag@stoneharborgroup.com.

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