

Praesidium Investment Management Company, LLC

Part 2A of Form ADV

The Brochure

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Praesidium Investment Management Company, LLC is an investment adviser that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Praesidium Investment Management Company, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 821-1495. 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 Praesidium Investment Management Company, LLC is also available on the SEC's website at: www.adviserinfo.sec.gov.

Material Changes

Because much of the information in this ADV Part 2 is additional information we are providing due to legislative changes and was not previously provided in our ADV Part 2, we recommend that you read this ADV Part 2 in its entirety.

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Advisory Business

Praesidium Investment Management Company, LLC, founded in 2003, is registered as an investment adviser with the SEC. Our firm is principally owned by Kevin Oram and Peter Uddo. As of February 28, 2011, we managed \$481 million on a discretionary basis on behalf of our clients.

We specialize in providing discretionary investment advisory services to separately managed accounts and private pooled investment vehicles (hedge funds). In providing our advisory services, we seek to achieve capital appreciation by employing a rigorous, independent research and security selection process. Through this process, we seek to identify and invest in companies that are selling in the public markets at discounts that we believe are significant to their underlying intrinsic values. While we intend to invest primarily in global equity securities, our clients give us the authority and flexibility to invest in other types of securities that we deem appropriate.

For more information on the investment strategy of our clients, please see the section “Methods of Analysis, Investment Strategies and Risk of Loss.”

Our firm tailors our advisory services in accordance with each client's needs and investment strategy as disclosed in its offering documents or managed account agreement. For our fund clients, we adhere to the investment strategy set forth in each fund client's offering document. For our managed account clients, we start with the investment strategy employed for our fund clients and then tailor that strategy to meet that managed account client's investment objective. We then execute an advisory agreement that defines that client's investment objective, which we undertake to follow conscientiously. Any investment restrictions applicable to any of our clients are set forth in a client's offering documents and/or managed account agreement.

Fees and Compensation

Our firm, or an affiliate of our firm, typically receives compensation from each of our clients based on both the percentage of assets we manage and on performance achieved for each client's account. Generally, each year, we charge our fund clients 1% of their assets that we manage and 20% of their profits over specified hurdles. Our performance-based compensation may take the form of a profit-sharing allocation and/or a performance fee (as discussed in more detail below).

Our fees and compensation for our fund clients are generally not negotiable. We have the general discretion to waive all or a portion of the asset-based management fee and/or the performance-based compensation, but typically only exercise this discretion for investors in our fund clients that are our affiliates or employees. In addition, we may enter into side letter arrangements with certain investors in our fund clients, in which we grant them preferential terms.

All of our managed account clients are qualified purchasers and therefore, this brochure does not contain our advisory service fee schedule for these clients. All of our managed account clients may negotiate asset-based fees and performance-based compensation based on various factors and strategies. These fees are fully disclosed in each managed account agreement.

Asset-Based Fees

The asset-based management fees we charge our fund clients are:

Praesidium Strategic Opportunities Fund, LP: 1% annually of each investor's capital account balance.

Praesidium Strategic Opportunities Offshore Fund, Ltd.: 1% annually of the net asset value of each investor's shares.

Praesidium Strategic Opportunities Offshore Master Fund, L.P.: This client pays us no additional asset-based compensation other than that paid by the investors in its feeder fund, Praesidium Strategic Opportunities Offshore Fund, Ltd., as described immediately above.

Performance-Based Compensation

The performance-based compensation we charge our fund clients are:

Praesidium Strategic Opportunities Fund, LP:

- An affiliate of our firm typically receives 20% annually of 60% of the profits attributable to each investor's capital account in the form of a performance allocation, subject to a cumulative loss carryforward restriction and a 6% "hurdle rate." A loss carryforward limitation ensures that we only receive performance-based compensation when an investor's account value for the year has recovered any losses from prior years (reduced pro rata by withdrawals of capital). A hurdle rate requires an investor's profits to exceed a specified rate of return before we receive our performance-based compensation. Once the hurdle rate is met, we receive our performance-based compensation on all of the net profits for the year that exceed the hurdle rate.
- Our firm typically receives 20% annually of 40% of the profits attributable to each investor's capital account in the form of a performance fee, subject to a "hurdle rate" equal to the Russell 3000 Index.

Praesidium Strategic Opportunities Offshore Fund, Ltd.:

- An affiliate of our firm receives 20% annually of 60% of the profits of the master fund into which Praesidium Strategic Opportunities Offshore Fund, Ltd. invests substantially all of its assets (Praesidium Strategic Opportunities Offshore Master Fund, L.P.), indirectly attributable to the value of each investor's shares in the form of a performance allocation, subject to a cumulative loss carryforward restriction and a 6% "hurdle rate."
- Our firm receives 20% annually of 40% of the profits attributable to the profits of each investor's shares in the form of a performance fee, subject to a "hurdle rate" equal to the Russell 3000 Index.

Praesidium Strategic Opportunities Offshore Master Fund, L.P.: This client pays us no additional performance-based compensation other than that paid by the investors in its feeder fund, Praesidium Strategic Opportunities Offshore Fund, Ltd., as described immediately above.

We deduct the asset-based management fee described above from our fund clients' account quarterly at the beginning of each quarter. We also deduct the 20% performance-based compensation described above from our fund clients' accounts at the end of each year or when investors make a withdrawal (but only on the amount withdrawn).

We bill our managed account clients for both our asset-based management fee and performance-based compensation. The majority of our managed account clients are billed quarterly in advance for our asset-based management fee, while certain other managed account clients are billed quarterly in arrears for our asset-based management fee. All of our managed account clients are billed annually or when a withdrawal is made (but only on the withdrawn amount) for our performance-based compensation.

In connection with our advisory services, our fund clients bear all of their own expenses, which for Praesidium Strategic Opportunities Offshore Fund, Ltd. includes those expenses of its master fund (Praesidium Strategic Opportunities Offshore Master Fund, L.P.).

Praesidium Strategic Opportunities Fund, LP and Praesidium Strategic Opportunities Offshore Fund, Ltd. may incur the following expenses:

- costs and expenses directly related to their investment program (including trade errors),
- fees related to voting proxies,
- fees related to the custody of their assets,
- brokerage and related transaction fees,
- interest on debit balances or borrowings,
- any withholding or transfer taxes and certain other taxes,
- accounting, audit and legal expenses,
- insurance
- administrator fees,
- underwriting and private placements,
- costs of any litigation or investigation that may arise, and
- costs in connection with providing reports and information to clients and investors and prospective clients.

Our managed account clients pay for all of their own operating expenses. This includes all expenses incurred with their account transactions, such as custodial fees, brokerage commissions, clearing fees, interest and withholding or transfer taxes.

As a general rule, all trading errors affecting a client's account are promptly investigated and resolved fairly. Unless we determine, in our sole discretion, that a trade error was the result of our bad faith, willful misconduct, fraud or gross negligence, any losses associated with trade errors that are not recovered from a third party are borne by the applicable clients, unless otherwise disclosed in the client's governing documents.

For more information on brokerage transactions and costs, please see the section "Brokerage Practices." While the list above is detailed, it does not contemplate every possible expense a client may incur.

The asset-based management fee that we charge our fund clients and the majority of our managed account clients is payable at the beginning of each quarter. The investors in our fund clients can generally only withdraw money from a fund client on the last day of each quarter, so they are not

likely to pay an asset-based management fee in excess of what they owe. Our managed account clients typically can withdraw money on any business day, provided that sufficient timely notice (as specified in the managed account agreement) is given. In the event a withdrawal or account termination occurs on any day other than the last day of a quarter, we will refund that managed account client any unearned asset-based fees.

Neither our firm nor any of our principals or employees receives any compensation for the sale of securities or other investment products.

Performance Based Fees and Side-by-Side Management

Our firm, or an affiliate of our firm, receives performance-based compensation from our clients. Please see the “Fees and Compensation” section above for a more detailed explanation our performance-based compensation. The existence of the performance-based compensation may create an incentive for us or our affiliates to make riskier or more speculative investments on behalf of our clients. Our firm’s investment in our fund clients aids in aligning our interests with the interests of our fund clients. We do not manage any clients that do not pay performance-based compensation.

Types of Clients

All of our clients are private pooled investment vehicles (hedge funds) and entities with substantial assets to which we provide advice through separately managed accounts. Our fund clients rely on certain exclusions from the definition of “investment company” in the Investment Company Act of 1940, as amended. Accordingly, none of our fund clients are registered as investment companies with the SEC.

Investors in Praesidium Strategic Opportunities Fund, LP and Praesidium Strategic Opportunities Offshore Fund, Ltd. are generally required to make a minimum investment of \$500,000. We have the discretion to, and on occasion may, accept investments for a lesser amount. There is no minimum investment requirement for Praesidium Strategic Opportunities Offshore Master Fund, Ltd.

The general minimum investment required to open a separately managed account is typically \$10,000,000. We have the discretion to, and on occasion may, accept investments for a lesser amount.

This firm brochure is not an offer to invest in our fund clients.

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategy and Research Process

In managing our clients’ accounts, we seek to generate superior, absolute returns for our clients through the implementation of our private enterprise approach to investing. Our strategy is focused on identifying long-only equity investments in the securities of undervalued public

companies using in depth, bottoms-up research. In many cases, we seek to work with the management teams of portfolio companies with the goal of increasing the value of the company.

Our investment process is based upon fundamental business and credit analysis, capital structure and liquidation analysis, a review of all legal documentation surrounding an issuer's securities and identification of an investment catalyst.

In making investment decisions, we rely on internally generated research derived from annual reports, prospectuses, filings with the SEC, corporate press releases, inspections of corporate activities, conversations with the firm and/or competitors, financial newspapers, magazines and other sources. We may also use research materials prepared by others in making an investment decision. During the research process, we make an assessment of the quality of the security in question by examining, among other things, financial metrics of the relevant company, the integrity and strategic vision of the management team and the ability to execute such strategy, as well as the attractiveness and risks of the company's industry.

We then determine what we believe is a fair valuation for the security based on a combination of its future earnings, operating cash flow, free cash flow, liquidation value and revenues. If the public market price for the security is significantly below our fair valuation, we may attempt to purchase the security for our clients' portfolios. If we believe the security is priced significantly above our fair valuation and the security is currently included in a client's portfolio, we will generally sell some or all of the position in the security. Performing this combined qualitative and quantitative approach to stock selection encompasses the majority of our daily activity.

Risks

Despite our thorough research and analysis, there is always the possibility that we may not correctly predict or evaluate the future performance of certain securities. Investing in any securities involves a risk of loss that any of our clients or any of the investors in our clients must be prepared to bear.

Below we describe some of the most significant risks associated with our investment strategy. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in our investment strategy.

For a complete explanation of all relevant investment strategies and their associated risks, our clients, or investors in our clients, should also review each applicable client's private placement memorandum or managed account agreement, which may contain explanations of additional strategies, risks and other related details not discussed below.

- *Investment Judgment and Market Risk.* The success of our investment programs depends, in large part, on correctly evaluating future price movements of potential investments. We cannot guarantee that we will be able to accurately predict these price movements and that our investment programs will be successful.
- *Dependence on our Firm.* Client portfolios are dependent on the continued service and active trading efforts of our key managers and employees, including Kevin Oram and Peter Uddo. If the services of any key managers or employees with our firm were to

discontinue or lapse for any reason, our clients' portfolios would likely be adversely affected.

- *Small-Cap Stocks.* We may invest in securities of small-capitalization companies on behalf of our clients. The value of small-capitalization company securities may be subject to wider price fluctuations and may be difficult to sell. Low trading volume in a company's securities means that we may have to sell holdings at a discount from quoted prices or make a series of small sales over an extended period of time. In addition, small-capitalization companies may generate less information on which to base investment decisions. Small-capitalization companies are often subject to risks related to lack the management experience, lack of financial resources, reliance on a single product and the inability to compete with better capitalized companies with more experienced managers.
- *Foreign Securities and Forward Foreign Exchange Contracts.* We may make investments in foreign securities on behalf of our clients. Investments in foreign securities involve certain risks not typically associated with investments in U.S. securities. These risks are related to (i) changes in the rate of exchange between the U.S. dollar and the various foreign currencies in which our clients' portfolio securities will be denominated, (ii) costs of converting funds from one currency to another, (iii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards, disclosure requirements, and less government supervision and regulation; (iv) political, social or economic instability, (v) imposition of foreign income, withholding or other taxes and (vi) the extension of credit, especially in the case of sovereign debt. We may enter into forward currency exchange contracts on behalf of our clients in an effort to hedge against movements in the value of foreign currencies relative to the U.S. dollar. A forward foreign exchange contract involves an obligation to purchase or sell a specified currency at a future date at a price set at the time of the contract. Foreign currency exchange contracts will not eliminate fluctuations in the value of our clients' assets and liabilities denominated in foreign currencies. However, these contracts will allow us to establish a rate of exchange for a future point in time. If we do seek to hedge our clients' foreign currency exposure through the use of forward foreign currency exchange contracts or currency swaps, our clients' will be subject to the risk that our counterparties to the arrangements fail to perform. Any default or failure to perform by a counterparty would eliminate any profit potential and compel us to cover our clients' commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses for our clients.
- *Lack of Diversification.* Our investment strategy involves a high level of portfolio concentration, which means that we may invest a greater percentage of our clients' assets in the securities of fewer issuers. In general, a less diversified portfolio bears more risk than a broadly diversified portfolio.

Disciplinary Information

Neither our firm, nor any of our directors, officers or principals has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court.

Neither our firm, nor any of our directors, officers or principals has been found (1) to have caused an investment-related business to lose its authorization to do business or (2) to have been involved in a violation of an investment-related statute or regulation and the subject of an order in connection with any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our firm, nor any of our directors, officers or principals has been involved in any self-regulatory organization proceedings.

Other Financial Industry Activities and Affiliations

Neither our firm, nor any of our directors, officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of our directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

Affiliations With Pooled Investment Vehicles

Our firm and our affiliate, Praesidium Advisors, LLC, have sponsored a number of private investment funds that we manage. Praesidium Advisors, LLC serves as the general partner to some of our fund clients. Our fund clients do not have independent management, and we selected the initial directors for our offshore fund that is structured as a corporation. Although this arrangement may give us heightened control and discretion over our fund clients, we manage any potential conflicts of interest by adhering to the investment strategy and investment allocation policy discussed in each fund client's offering documents.

We do not recommend or select other investment advisers for our clients.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

We have adopted a Code of Ethics in accordance with Securities and Exchange Commission requirements. Our Code of Ethics works to ensure that our employees' actions, including their personal securities transactions, are consistent with our firm's fiduciary duty to our clients and to ensure compliance with legal and regulatory requirements. Our Code of Ethics focuses on specific areas where employee conduct has the potential to affect clients' or clients' investors' interests adversely, such as personal securities trading, outside activities, gifts, borrowing and lending, and the influence of personal relationships and charitable contributions. Our Code of Ethics requires employees to submit quarterly and annual statements to our Chief Compliance Officer for any account holding securities in which an employee or certain family members have an interest. Most employee trades in which an employee or certain family members have an

interest must be reviewed and pre-approved by our Chief Compliance Officer or his designee. Our clients or investors in our clients, or any prospective clients or prospective investors in our clients may obtain a copy of our Code of Ethics by contacting Mr. John Scott, our Chief Compliance Officer, at (212) 821-1495.

Our employees are generally not permitted to execute transactions on behalf of personal accounts. Our Code of Ethics also requires employees to:

- pre-clear certain personal securities transactions,
- report personal securities transactions on at least a quarterly basis, and
- provide our Chief Compliance Officer with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which employees have a direct or indirect beneficial interest.

Currently, our firm, our affiliates or employees of our firm do not buy or sell for client accounts securities in which they have a material financial interest.

We have established procedures intended to limit conflicts of interest in cases where our firm, our employees and/or other related parties buy or sell securities that we recommend to clients. Employees are generally restricted from transacting in certain securities, as set forth in our Code of Ethics, on behalf of their personal accounts. Employees that wish to transact in a restricted security may do so only upon the approval of the Chief Compliance Officer. Approvals shall only be granted in cases of compelling hardship.

Brokerage Practices

We Utilize Research and Other Soft Dollar Benefits

We have discretionary authority to determine, without our clients' consent, the broker or dealer to be used and the commission rates paid within the guidelines established in the clients' governing documents or managed account agreement, as applicable. In selecting a broker, we seek the best available combination of execution and overall price (which includes the cost of the transaction). We consider such factors as price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility, and any research or investment-management-related services provided by such brokers. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and research or investment-management-related services provided by such broker, our clients' may pay commissions to that broker in an amount greater than the amount another broker might charge, in recognition of the value of research services provided by the broker.

We may, from time to time, enter into soft dollar arrangements, but will limit such arrangements for research and execution services as permitted within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between us and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

In some instances, we may receive a product or service that may be used only partially for functions within Section 28(e) (e.g. an order management system, trade analytical software or proxy services). In such instances, we will make a good faith effort to determine the relative proportion of the product or service used to assist us in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting us in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by us from our own resources.

We typically trade securities on behalf of our clients on an aggregated basis and allocate any costs and soft dollar benefits generated to our clients on a pro rata basis. As a result of this practice, soft dollar benefits are not allocated to each client in proportion to the soft dollar credits each client generates. Instead, all of our clients generally benefit equally from the soft dollars generated by our aggregate trading method. In certain instances, such as when we enter into a relationship with a new client, we may trade securities for a single client. In these instances, any soft dollar benefits generated are allocated among all of our clients on a pro rata basis.

The Use of Soft Dollars Can Create a Conflict of Interest

Using client transactions to obtain soft dollar benefits creates incentives that result in conflicts of interest between advisers and their clients. Specifically, when we use a portion of our commissions to obtain soft dollar benefits our profitability is increased because we do not have to produce or pay for the research products and services. The availability of these soft dollar benefits may influence us to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the soft dollar benefits instead of on our clients' interest in receiving the best execution prices. Obtaining these soft dollar benefits may cause our clients to pay higher fees than those charged by other broker-dealers.

We direct our clients' transactions to broker-dealers based on overall best execution, as explained above. Our Chief Compliance Officer periodically reviews our brokerage practices and procedures to ensure that we are achieving best execution on all trades for our clients.

We Do Not Consider Referrals in Selecting or Recommending Broker-Dealers

Our Clients Do Not Direct Brokerage

We do not recommend, request or require that a client, nor do we permit a client to, direct us to execute transactions through a specified broker-dealer.

Trade Aggregation

We typically aggregate the purchase or sale of the securities for our client accounts. We allocate the securities purchased (or sold) among our participating clients so that each client receives the same terms. We also seek to execute orders for all participating clients on an equitable basis. We typically place combined orders for all these accounts simultaneously, and, if all these orders are not filled at the same price, we average the prices paid. Similarly, if an order on behalf of more than one client account cannot be fully executed under current market conditions, we allocate the trade among the different client accounts on a pro rata basis. Generally, clients can benefit when we aggregate trades because we get volume discounts on execution costs. On the other hand, situations may occur where one client could be disadvantaged because of the investment activities we conduct for other clients.

Review of Accounts

Kevin Oram and Peter Uddo, our firm's portfolio managers, monitor and review client accounts on a daily basis for their respective positions, size, profit/loss and risk limits. Our Chief Financial Officer also monitors our clients' accounts for adherence to risk limits and matches all the trading activity to brokers' reports.

We provide investors in our fund clients with written monthly estimated performance reports and statements showing the investor their unaudited and estimated capital balance/net asset value. On a quarterly basis, investors receive letters from our portfolio managers. We also provide investors in our fund clients with annual audited financial statements examined by independent auditors, as well as annual tax information.

Our managed account clients receive custodial statements directly from their respective custodians. We provide our managed account clients with written monthly reports that include performance data and a reconciliation between our records and those of the managed account client's third-party custodian. We may also provide additional information to certain of our managed account clients pursuant to special agreements, as set forth in their managed account agreement.

Client Referrals and Other Compensation

Our firm does not, nor do any principals or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our clients.

Our firm does not, nor do any principals or employees of our firm, compensate anyone for client referrals.

Custody

While it is our firm's practice not to accept or maintain physical possession of any of our clients' assets, we are deemed to have custody of our fund clients' assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because we have the authority to access our fund clients' funds and deduct fees and expenses from our fund clients' accounts.

In order to comply with Rule 206(4)-2, we utilize the services of a bank or qualified custodian (as defined under Rule 206(4)-2) to hold all of our clients' assets. We also ensure that the qualified custodian maintains these funds in accounts that contain only clients' funds and securities, under our name as agent for the clients. In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit our clients at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all investors in our clients within 120 days after the end of the fiscal year.

We do not custody the assets of our managed account clients. These clients will receive account statements directly from their custodian and should review them carefully. They should compare the account statements they receive from their custodian with any reports that we send them.

Investment Discretion

Scope of Authority

Our firm accepts discretionary authority to manage our clients' securities accounts. Essentially, this means that we have the authority to determine, without obtaining specific client consent, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in each of our clients' offering documents and/or managed account agreement.

Procedures for Assuming Authority

Before accepting their subscriptions for interests, we provide all investors in our clients with an offering document and/or managed account agreement that sets forth, in detail, the relevant client's investment strategy and program. By completing our subscription documents to acquire an interest in one of our client funds or a managed account agreement to set up a separately managed account, investors give us complete authority to manage their investments in accordance with the offering document and/or managed account agreement they each received.

Voting Client Securities

Proxy Voting Policies and Procedures

Because clients have, in most cases, delegated the power to vote their securities to our firm, we have implemented proxy voting policies and procedures in accordance with securities laws and our fiduciary obligations to our clients. It is our firm's policy that we must vote all client proxies solely in the best interests of our clients. We generally believe that voting in the best interest of our clients entails voting in a manner that will maximize the value of the security.

We are not required to vote every proxy and the failure to vote any proxy should not be construed as a violation of our fiduciary obligations. We shall not ignore or neglect our proxy voting responsibilities. However, there may be times when refraining from voting is in our clients' best interest, such as when our analysis of a particular proxy reveals that the cost of voting the proxy may exceed the expected benefit to our clients.

Upon request, our clients (and investors in our fund clients) can obtain a copy of our proxy voting policies and procedures.

Potential Conflicts of Interest

If a proxy vote creates a material conflict between our interests and the interests of a client, we will resolve the conflict before voting the proxies. The Chief Compliance Officer will consult with Kevin Oram and Peter Uddo, our portfolio managers, and consider the following issues before taking any action:

- Whether adoption of the proposal would have a positive or negative impact on the issuer's short term or long-term value.
- Whether the issuer has already responded in some appropriate manner to the request embodied in a proposal.
- Whether the proposal itself is well framed and reasonable.
- Whether implementation of the proposal would achieve the objectives sought in the proposal.
- Whether the issues presented would best be handled through government or issuer-specific action.

Recordkeeping

We maintain records of (i) all proxy statements and materials we receive on behalf of clients; (ii) all proxy votes that are made on behalf of the clients; (iii) all documents that were material to a proxy vote; (iv) all written requests from clients regarding voting history; and (v) all responses (written and oral) to clients' requests. These records are available to the clients upon request.

Certain separate account clients retain their authority to vote proxies on behalf of their own account and shall receive proxies or other solicitations directly from their relevant custodian. These separate account clients shall in no way be precluded from contacting us for advice or information about a particular proxy vote. However, we shall not be deemed to have proxy voting authority solely as a result of providing investment advisory services to the managed account clients.

Financial Information

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients.

We have never been the subject of a bankruptcy petition.