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FORM ADV, PART II Disclosure Brochure
December 31, 2010

This brochure provides information about the qualifications and business practices of Black Knight Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (202) 962-0255 and/or bkcontact@bkamllc.com. 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. Please note that while Black Knight Asset Management, LLC is a registered investment adviser, this statement does not imply a particular level of skill or training.

Additional information about Black Knight Asset Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

TABLE OF CONTENTS

Section 1: Material Changes	3
Section 2: Advisory Services	3
Section 3: Fees and Compensation	4
Section 4: Performance-Based Fees	4
Section 5: Types of Clients	5
Section 6: Methods of Analysis, Investment Strategies and Risk of Loss	5
Section 7: Disciplinary Information	7
Section 8: Other Financial Industry Activities and Affiliations	8
Section 9: Code of Ethics, Participation Client Transactions and Personal Trading	8
Section 10: Brokerage Practices	9
Section 11: Review of Accounts	11
Section 12: Payments for Client Referrals	11
Section 13: Custody	11
Section 14: Investment Discretion	11
Section 15: Voting Client Securities	12
Section 16: Financial Information	22

Section 1: Material Changes

The following is/are the material changes:

- Under ADV Part 1, Carlotta Oliver, who was a “Control Person” is no longer with the firm.
- Under Section 12: Currently, Black Knight Asset Management does not have any agreements with third parties to compensate for client referrals.

Section 2: Advisory Services

Black Knight Asset Management, LLC (BKAM) is a registered investment adviser headquartered in Washington, DC, and began operations March 2007. BKAM’s principal owner is Daryl Dennis, President and CIO.

BKAM provides discretionary investment advisory services to pension and profit-sharing plans, banks, thrift institutions, trusts, estates, charitable organizations, corporations, hospitals, foundations, endowments, and credited individual investors. BKAM provides its services on the basis of the objectives, and needs of each individual client, as expressed, established, and regularly reviewed via an "Investment Policy Statement," investment guidelines, and/or advisory/sub-advisory contract.

Though BKAM generally has discretion over what securities to purchase/sell, specify the amount of securities transacted, decide the broker/dealer to be used, and what (reasonable) spreads/commissions to pay on behalf of its clients, this discretionary authority may be limited by the client.

BKAM offers the following investment strategies: stable value, core fixed income, short-duration, and long-duration fixed income. BKAM serves as investment adviser to the BKAM Stable Value Fund, sponsored and maintained by the Redstone Trust, a group trust established for the commingled investment assets of pension, retirement savings or profit-sharing plans.

BKAM also provides bundled and unbundled pension plan administration and consultative services to qualified plans plans. These services may include evaluation of current investment options, selection/recommendation and oversight of investment options, customized investment services, plan administration, recordkeeping, and participant education. Some of these services are facilitated by established agreements with Redstone Trust (Trustee) and NADART (recordkeeper). Fees for these services depend upon the number and extent of services provided to each Plan Sponsor, and shall not exceed 1.0% of assets under management. BKAM does not collect distribution and/or service fees paid from third-party mutual funds' assets. Fees for administration and consultative services are negotiable.

As of December 31, 2010, BKAM had \$166 million in assets under management, all assets were discretionary accounts. BKAM does not participate in wrap fee programs.

Section 3: Fees and Compensation

Standard Subadvisory Fees (On an annual basis)

Commingled Funds:

<u>Assets</u>	<u>Stable Value</u>
All Assets	0.25%

Separate Accounts:

<u>Assets</u>	<u>Stable Value</u>
First \$100 Million	0.25%
Next \$300 Million	0.20%
Over \$400 Million	0.15%

<u>Assets</u>	<u>Core, Long-Duration</u>
First \$100 Million	0.25%
Next \$300 Million	0.15%
Over \$400 Million	0.10%

<u>Assets</u>	<u>Core, Short-Duration</u>
First \$100 Million	0.18%
Next \$300 Million	0.14%
Over \$400 Million	0.08%

These fees are negotiable, and are billed and payable quarterly, in arrears. Some clients may have previously entered into advisory agreements that reflect a prior standard or a negotiated fee schedule.

The fees listed above may not include other fees such as: plan-level, custody, wrap, trust, recordkeeping administration and embedded fees. Additionally, BKAM may collect administration and/or service fees paid from third-party mutual funds' assets. Fees for administration and consultation services are negotiable.

The fees listed above do not include brokerage and other transaction costs. Please refer to Section 10 for a discussion on brokerage.

BKAM's investment advisory agreements generally provide a termination clause by either party upon a 60 days written notice. Upon termination of an advisory agreement, fees are pro-rated for the quarter during which the termination becomes effective. All earned, unpaid fees are immediately due and payable, and any prepaid, unearned fees will be refunded.

BKAM does not collect distribution and/or service fees paid from third-party mutual funds' assets. No supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. When facing conflicts between our interests and the interests of our clients, BKAM will always act in the best interests of its clients

Section 4: Performance-Based Fees

BKAM does not have any performance-based fee arrangements.

Section 5: Types of Clients

BKAM provides discretionary investment advisory services to pension and profit-sharing plans, banks, thrift institutions, trusts, estates, charitable organizations, corporations, hospitals, foundations, endowments, and credited individual investors. BKAM generally requires a minimum portfolio size of \$10,000,000 for new separately managed accounts.

Section 6: Methods of Analysis, Investment Strategies and Risk of Loss

BKAM employs a top down/bottom up approach towards fixed income investing. The top down approach is used to determine the global macro-economic factors that are impacting fixed income markets worldwide. Our global macro-economic view is reflected in both short and long term strategies implemented in the portfolio. Additionally, the global macroeconomic is one of the factors used to determine sector weightings.

While BKAM will research all possible sources of alpha (e.g. duration, yield curve positioning, sector allocation, industry weights and security selection), our primary focus are on the sources of alpha that provide the greatest probability of success. Thus, most of BKAM's investment efforts, and alpha, are derived from security selection, sector allocation and industry weights.

The investment process begins with our investment outlook, which is a subset of our global macro-economic outlook. Next we examine and evaluate client benchmark and guidelines in order to initiate the investment process. Based on our evaluation of guidelines and benchmark, we will make decisions regarding the appropriate portfolio duration, yield curve position and sector allocation. As noted before, we believe that duration and yield curve positioning provide the lowest probability of success. Therefore, portfolio duration and yield curve decisions are relatively minor and only intended to provide alpha at the margins.

Recognizing that there will be differences in client guidelines and investment objectives, we establish a strategic portfolio that reflects our views and best ideas of the most attractive sources of relative value in the fixed income markets.

The bottom up portion of our investment process is security selection and industry weightings. After duration, yield curve and sector allocation decisions have been made for the strategic portfolio; BKAM will buy the individual securities that we believe represent the best value available in the market place. Another aspect of the bottom up process is overweighting industries and securities that we believe are undervalued and underweighting, or avoiding altogether, industries and securities that we believe are overvalued. Undervalued and overvalued securities are determined by our analysis of whether we are being adequately compensated for the risk that we are assuming.

The collective processes of our top down/bottom up approach are a portfolio that is consistent with client guidelines, investment objectives and risk parameters. If allowable under the individual investment guidelines and policy statements, BKAM-managed portfolios and fund may invest in:

- Securities issued by federal, local and foreign governments/entities/corporations.
- mortgage/asset-backed securities,
- bank loans,
- preferred stock,
- convertible bonds,
- derivatives ,
- commingled/pooled funds,
- non-U.S. dollar denominated securities,
- guaranteed/bank investment contracts,
- Traditional guaranteed investment contracts (GICs)

- book-value guaranties (stable value "wraps").

Clients should be aware that investing in securities involves risk of loss, and clients should be prepared to bear this risk when investing. Prospect clients should not carefully consider whether or not they can readily bear the consequences of such loss, before engaging BKAM. Risks include, but not limited to:

- Market Risk – Securities prices may fluctuate to the detriment of the portfolio/fund.
- Inflation Risk - Inflation risk is the possibility that your principal investment will not maintain the same purchasing power in the future.
- Interest Rate Risk - Interest rate risk refers to the risk that bond prices generally fall as interest rates rise; conversely, bond prices generally rise as interest rates fall.
- Yield Curve Risk - Yield curve risk refers to the risk that the portfolio/fund will be adversely impacted by changes in the differences between interest rates on shorter term and longer term debt instruments.
- Credit Risk - Credit risk is the risk of loss on an investment due to the deterioration of an issuer's financial health. Such a deterioration of financial health may result in a reduction of the credit rating of the issuer's securities and may lead to the issuer's inability to honor its contractual obligations including making timely payment of interest and principal.
- Spread Risk - Spread risk is the risk that changes in the difference between the yields of debt instruments (whether due to credit quality or otherwise) could adversely affect the portfolio/fund.
- Liquidity Risk - Liquidity risk is the risk that arises from the difficulty of selling an asset.
- Call Risk - Call risk is the cash flow risk resulting from the possibility that a callable bond will be redeemed before maturity. The fund may be forced to reinvest the principal sooner than expected, which may be at a lower interest rate.
- Prepayment Risk - Prepayment risk refers to the possibility that a borrower may repay a debt obligation before it matures, forcing the investor to reinvest the principal sooner than expected, which could be at a lower interest rate.
- Derivatives Risk - BKAM may use enhanced investment techniques such as derivatives. The principal risk of derivatives is that the fluctuations in their values may not correlate perfectly with the values of their underlying assets. Derivatives are subject to counterparty risk - the risk that the other party will not perform its obligations under the transaction. For some derivatives, it is possible to lose more than the amount invested in the derivative.
- Active Trading Risk - BKAM may engage in active and frequent trading of portfolio securities to achieve its investment objective. If the Fund does trade in this way, it may incur increased costs, which can lower the actual return of the Fund.
- Wrapper Agreement Risk – Stable value portfolios invests in benefit-responsive wrap contracts issued by third parties, which present risks to the Fund. These risks include, without limitation, the risks that the issuer will default on its obligations under the contract, the premium or other fee payments under the contract will reduce the performance of the portfolio/fund, the contract term will expire before a replacement contract with favorable terms can be secured, the issuer could control the investment management activities of the portfolio/fund, or the occurrence of certain events could cause the contract to lose its “benefit responsive” or “stable value” features.
- Crediting Rate Risk - In some circumstances, stable value portfolios’ yield may not reflect prevailing market interest rates. The basic function of the crediting rate formula used to determine the Fund’s yield is to amortize the gain or loss experience of the underlying portfolio over the duration of the contract, also known as "smoothing". The formula's components include portfolio duration, market value and book value. An investment contract's crediting rate provides a fixed return for a period of time until the next rate reset. The use of the crediting rate formula and periodic reset schedule allow the portfolio’s return to track market interest rates on a lagged basis. A stable value portfolio's yield is the aggregate of all of the investment contracts’ individual crediting rates.
- Management Risk - There is no guarantee that the investment techniques and risk analyses used by the Fund’s portfolio managers will produce the desired results.

Section 7: Disciplinary Information

Not BKAM, nor any of its executives has been:

- Subject to a criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which BKAM/BKAM executive
 - was convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
 - is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
 - was found to have been involved in a violation of an investment-related statute or regulation; or
 - was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.
- Subject of an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which BKAM/BKAM executive:
 - was found to have caused an investment-related business to lose its authorization to do business; or
 - was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
 - denying, suspending, or revoking the authorization of BKAM/BKAM executive to act in an investment-related business;
 - barring or suspending your BKAM/BKAM executive’s association with an investment-related business;
 - otherwise significantly limiting your firm’s BKAM/BKAM executive’s investment-related activities; or
 - imposing a civil money penalty of more than \$2,500 on BKAM/BKAM executive.
- Subject of a self-regulatory organization (SRO) proceeding in BKAM/BKAM executive:
 - was found to have caused an investment-related business to lose its authorization to do business; or
 - was found to have been involved in a violation of the SRO’s rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

Pending litigation: A BKAM ex-employee that was dismissed due to gross underperformance has filed a merit less suit against BKAM. BKAM has filed a motion to get the case dismissed.

Section 8: Other Financial Industry Activities and Affiliations

Not BKAM or any of its management persons are registered, or have an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Not BKAM, or any of its management persons, has any relationship or arrangement that is material to BKAM's advisory business with any

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships.

As part of BKAM's 401K advisory services, BKAM may recommend or select other investment advisers for its clients. However, BKAM does not receive compensation directly or indirectly from those advisers that creates a material conflict of interest.

Section 9: Code of Ethics, Participation Client Transactions and Personal Trading

Black Knight Asset Management has adopted a Code of Ethics under applicable rules and regulations (Rule 204A-1 under the Advisers Act). Rules and regulations require the Advisor to establish, maintain and enforce a written code of ethics that (i) sets the standard of business conduct that the Advisor requires of its employees, (ii) requires employees to comply with applicable federal securities laws (including laws regarding insider trading and privacy), and (iii) sets forth provisions regarding personal securities transactions by employees.

Ethics are the highest priorities at the Black Knight Asset Management ("BKAM"). Not only do they mandate behavior for internal day-to-day operations but they also reflect a commitment to excellence for our employers and participants. As fiduciaries we have a special responsibility to our participants and a special bond of trust with them. The "Code" and the "Standards" are the key tools BKAM uses to protect this relationship. The BKAM Code of Ethics ("Code" or "Code of Ethics") embodies more than a statement requiring adherence to a set of rules or regulations; it maintains an allegiance to a set of principles, such as honesty, integrity and fiduciary responsibility. These principles are the foundation upon which this company is built. Based on the Code of Ethics, the BKAM Standards of Professional Conduct outline the specific policies affecting the day-to-day activities of BKAM associates. The Code covers compliance with laws and regulation, confidentiality, whistleblower procedures, conflicts of interest, honesty, relationships with others, use of BKAM property, and reporting violations.

This document attempts to address all areas of potential liability under applicable policies or laws that have been identified to date, acknowledging that only continued vigilance and self assessment would ensure that all potential liabilities are addressed. Obviously, associates have a duty to comply diligently with this Code and all applicable law, but associates must also use common sense in all activities relating to BKAM business. In addition, if an associate is unsure of a particular responsibility that may affect or compromise the integrity of BKAM, he/she must seek advice from the Chief Compliance Officer (“CCO”) or the Compliance Department. The Code of Ethics and Standards of Professional Conduct apply to all associates, regardless of position, responsibility or location. For purposes of this document, "associates" includes all full-time and part-time, management and non-management individuals, all contract employees, all temporary employees, and all officers of BKAM.

A copy of BKAM's Code of Ethics and Standards of Professional Conduct will be provided to all clients or prospective clients upon request.

Not BKAM, or any related person recommends to clients, or buys or sells for client accounts, securities in which BKAM or a related person has a material financial interest.

Not BKAM, or any related person, invests in the same securities (or related securities, e.g., warrants, options or futures) that BKAM or a related person recommends to clients. BKAM addresses the conflicts of interest that may arise in connection with personal trading by keeping a record of every transaction in a security in which the related person has, or acquires, any direct or indirect beneficial ownership, and requiring pre clearance for securities trading.

Section 10: Brokerage Practices

BKAM generally has discretion over what securities to purchase/sell, specify the amount of securities transacted, decide the broker/dealer to be used, and what (reasonable) spreads/commissions to pay on behalf of its clients. This discretionary authority may be limited by the client.

When available and applicable, BKAM obtains competitive prices from multiple broker-dealers for each transaction executed on behalf of its clients. In selecting the broker-dealer with whom the order is placed, BKAM seeks to obtain the best price and execution reasonably available under the circumstances for its clients' securities transactions. Best execution entails, among other things, the efficient placement of orders, clearance, settlement and overall execution quality, as well as the price obtained in the transaction. BKAM selects brokers/dealers to allocate investment transactions taking into consideration not only the available prices, spreads, or brokerage commissions, but also other relevant factors, such as, type of investment to be transacted, execution capabilities, the size of the transaction, the willingness commit capital to execute a trade, the difficulty of execution, the operational facilities of the broker/dealer, market impact, and the quality of brokerage services provided. BKAM does not select broker/dealers based on client referrals.

Given the nature of over-the-counter markets and the holistic approach to broker/dealer selection and allocation client transactions, clients may pay higher prices, spreads and/or commissions than those obtainable from other brokers.

AGGREGATE TRADING POLICY

BKAM must act primarily for the clients' benefit, and ensure that over time each client is treated fairly and equitably. In general, one client must not be favored over another, and all transactions are subject to the overall standard of seeking to achieve best execution. Depending on similarity of strategy and/or needs of the individual portfolios, BKAM may aggregate client transactions. As applicable, BKAM will attempt to aggregate multiple orders for the purchase or sale of the same security in the same direction placed at or around the same time to achieve best execution with respect to all transactions being effected on behalf of client accounts. All client accounts participating in an aggregate order will receive the same execution price. To the extent that different blocks of the same security/order are executed throughout the day, all applicable accounts will be included in each transaction, or the aggregate execution position will be average priced at the end of the trading day prior to allocation of the order, so that each account included in the order(s) receives the same average execution price.

SOFT DOLLAR ARRANGEMENTS

BKAM may engage in soft dollar practices in compliance with applicable rules and regulations, i.e. Section 28(e) of the Exchange Act of 1934 ("Section 28(e)"). BKAM may direct order flow to the soft dollar broker/dealers to help pay for research products/services. While BKAM strives for "best pricing" or "competitive pricing" on all transactions, BKAM may pay wider bid-ask spreads or more for trade commissions, if the research product/service is one that will assist the firm in adding value to its clients and the product/service paid for under the soft dollar arrangement is consistent with guidance outlined in applicable rules and regulations. The Firm's soft dollar arrangements should be reviewed at least once a year to determine if the products/services are one that are adding value to the firm's clients whose commissions are ultimately paying for the soft dollar arrangements.

Soft dollar arrangements create a conflict of interest by permitting commission dollars to be spent in ways that benefit investment managers instead of their clients. Additionally, when BKAM client brokerage commissions (or markups or markdowns) to obtain research or other products or services, BKAM receives a benefit because BKAM do not have to produce or pay for the research, products or services. Thus, BKAM may have an incentive to select a broker-dealer based on your interest in receiving the research or other products or services, rather than on the clients' interest in receiving most favorable execution. BKAM manages these inherent conflicts by acquiring/paying for products and services, with soft dollars, only upon satisfaction of the following three part test:

- A. Does the product or service meet the eligibility criteria? Is it research? E.g. research reports/publications/writings, security/portfolio analytic software/systems, etc.
- B. Does the product/service provide lawful and appropriate assistance in the portfolio management process?
- C. May BKAM conclude, in good faith, that the commissions paid are reasonable in relations to the value of the research product/service provided by the broker?

BKAM maintains a soft dollar arrangement with an independent, non-positioning broker/dealer in compliance with applicable rules and regulations, i.e. Section 28(e) of the Exchange Act of 1934. Products and services paid/acquired with soft dollar benefit all client accounts. Examples of research services and products that may be paid for by commissions/credits generated by client trading include:

1. Bloomberg: Computer system that provides security/portfolio analytics, and real-time valuation data.
2. BondEdge: Portfolio analytics system/software.
3. Creditsights: Award-winning, independent credit research service.
4. Bank Credit Analyst: Independent global economic research service.

DIRECTED BROKERAGE

Clients may direct BKAM, in writing, to utilize a certain broker/dealer(s) for execution of trades. BKAM may not be authorized, under these circumstances, to negotiate commissions and may not be able to obtain volume discounts or best execution, thus a disparity in commission charges may exist between the

commissions charged to clients who direct BKAM to use a particular broker/dealer and those that do not. BKAM still has the fiduciary obligation to its clients to seek best execution, thus in the event that a client directs BKAM to use a particular broker/dealer, BKAM may not aggregate the directing client's orders with those of the other clients to reduce transaction costs, possibly resulting in higher transaction cost to the directing client.

Section 11: Review of Accounts

Individual accounts are reviewed daily by BKAM's senior portfolio manager and/or chief investment officer on a daily basis. The review process includes, but is not limited to:

- Holdings
- Portfolio characteristics versus strategy and/or benchmarks

Account review is a routine firm function, but it can be triggered or intensified by unexpected performance, shifting market conditions, or changing client preferences or circumstances.

As mandated by the individual sub-advisory contracts, clients receive months and/or quarterly reports and statements for each of their investment advisory accounts. These reports may include:

- Holdings
- Transactions
- Performance
- Commentary

Section 12: Payments for Client Referrals

BKAM may enter into written compensation agreements with third-parties whereby the third party gets compensated for client referrals. The two types of compensation arrangements BKAM may enter into are:

- Percentage of advisory fees paid by the clients introduced for a specified period on time,
- Retainer for introductions to prospects.

Currently, BKAM does not have any of these types of arrangements in place.

Section 13: Custody

Black Knight Asset Management does not keep custody of client funds or securities. Clients choose their own custodian. If clients receive reports/statements from their custodians, clients should carefully review and compare them to the reports/statements received from BKAM.

Section 14: Investment Discretion

BKAM generally has investment discretion over what securities to purchase/sell, specify the amount of securities transacted, decide the broker/dealer to be used, and what (reasonable) spreads/commissions to pay on behalf of its clients. This discretionary authority is spelled out and granted via a sub-advisory contract and/or an investment policy statement. This discretionary authority may be limited by the client.

Section 15: Voting Client Securities

BKAM has and/or accepts authority to vote client securities. Black Knight Asset Management, LLC ("BKAM") takes seriously the responsibility of voting proxies on behalf of our clients. Our policies and procedures are designed to meet all applicable fiduciary standards and to protect the rights and enhance the economic welfare of those to whom we owe a fiduciary duty.

A Proxy Committee, including executive, investment, and compliance and operations personnel, is responsible for establishing our policies and procedures. The Committee reviews these policies and procedures periodically and makes such changes as it believes are necessary.

We review all proxies for which we have voting responsibility, and generally vote all proxies according to our written guidelines. Our guidelines address such areas as elections of directors and auditors, corporate defenses, corporate governance, mergers and acquisitions, corporate restructuring, state of incorporation, proxy contest issues, executive compensation, employee considerations and social issue proposals.

The guidelines contained herein reflect our normal voting position on certain issues, and will not apply in every situation. The guidelines are intended to generally cover both U.S. and international proxy voting, although due to country differences and requirements, international proxy voting may differ depending on individual facts and circumstances. Some issues require a case-by-case analysis prior to voting and, in those situations, input from our investment team will normally be solicited. Even when our guidelines specify how we normally vote on particular issues, we may change the vote if it is reasonably determined to be in our clients' best interest. In addition, on client request, we may vote proxies for that client in a particular manner overall, such as union or labor sensitive.

To ensure that voting responsibilities are met, the Committee has established operational procedures to have client proxies reconciled against client holdings. The procedures are also intended to ensure that proxies are voted consistent with voting guidelines, that the best proxy analysis is used for each issue, and all votes are recorded and justified. Any variance from stated policy is carefully noted, including the reason for the variance.

We maintain proxy voting records for all accounts and make these records available to clients at their request.

1. External Auditor: Auditors:

Vote for proposals to ratify auditors, unless there is a reason to believe the auditing firm has a financial interest in or association with the company and is, therefore, not independent; or there is reason to believe the auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position.

2. Board of Directors

a) Director Nominees: Votes on director nominees are evaluated based on the following criteria (and any others that may be deemed relevant to BKAM):

- (i) Long term corporate performance record based on increases in shareholder wealth, earnings, financial strength
- (ii) Executive Compensation

- (iii) Director Compensation
- (iv) Corporate Governance Provisions and Takeover Activity
- (v) Criminal Activity
- (vi) Investment in the Company
- (vii) Interlocking Directorships
- (viii) Inside, Outside, and Independent Directors
- (ix) Board Composition
- (x) Number of Other Board Seats
- (xi) Any problems or issues that arose on Other Board assignments
- (xii) Support of majority-supported shareholder proposals.

b) Director Indemnification and Liability Protection

- (i) **Vote for** proposals concerning director and officer indemnification and liability protection.
- (ii) **Vote against** proposals to limit or eliminate entirely the liability for monetary damages of directors and officers for violating the duty of care.
- (iii) **Vote against** indemnification proposals that would expand coverage beyond just legal expenses to acts like negligence, which are more serious violations of fiduciary obligation than mere carelessness.
- (iv) **Vote for** only those proposals providing such expanded coverage on cases when a director's or officer's legal defense was unsuccessful if: (i) the director was found to have acted in good faith and in a manner that he reasonably believed was in the best interest of the company, and (ii) if only the director's legal expenses would be covered.

c) Director Duties and Stakeholder Laws

Vote against management or shareholder proposals to allow the board of directors to consider the interests of "stakeholders" or "non-shareholder constituents," unless these proposals make it clear that these interests are to be considered in the context of the prevailing commitment to shareholders.

d) Director Nominations

Vote for shareholder proposals asking that management allow large shareholders equal access to management's proxy to discuss and evaluate management's director nominees, and/or to nominate and discuss shareholder nominees to the board.

e) Inside Versus Independent Directors

- (i) **Vote for** shareholder proposals asking that boards be comprised of a majority of independent directors.
- (ii) **Vote for** shareholder proposals asking that board audit, compensation and/or nominating committees be comprised exclusively of independent directors.

f) Stock Ownership Requirements

Vote against shareholder proposals requiring directors to own a minimum amount of company stock in order to qualify as a director, or to remain on the board.

g) Term of Office

Vote against proposals to limit the tenure of outside directors.

3. Proxy Contests and Corporate Defenses

a) Proxy Contests for Board Seats

All votes in a contested election of directors are voted subsequent to internal analysis.

b) Classified Boards

- (i) **Vote against** proposals to classify the board.
- (ii) **Vote for** proposals to repeal a classified board, and to elect all directors annually.

c) Cumulative Voting

- (i) **Vote for** proposals to permit cumulative voting in the election of directors
- (ii) **Vote against** proposals to eliminate cumulative voting in the election of directors.

d) Director Nominations

Vote against management proposals to limit shareholders' ability to nominate directors.

e) Shareholders' Right to Call Special Meetings

- (i) Vote against management proposals to restrict or prohibit shareholders' ability to call special meetings.
- (ii) Vote for shareholder proposals that remove restrictions on the right of shareholders to act independently of management.

f) Shareholder Action by Written Consent

- (i) Vote against management proposals to restrict or prohibit shareholders' ability to take action by written consent.
- (ii) Vote for shareholder proposals to allow or make easier shareholder action by written consent.

g) Size of the Board

- (i) Vote for proposals that seek to fix the size of the Board.
- (ii) Vote against management proposals that give management the ability to alter the size of the Board without shareholder approval.

- h) Shareholders' Ability to Remove Directors
 - (i) Vote against proposals that state directors may be removed only for cause.
 - (ii) Vote for proposals to restore shareholder ability to remove directors with or without cause.
 - (iii) Vote against proposals that provide that only continuing directors may elect replacements to fill board vacancies.
 - (iv) Vote for proposals that permit shareholders to elect directors to fill board vacancies.

4. Tender Offers and Corporate Defenses

- a) Fair Price Provisions
 - (i) Vote for management proposals to adopt a fair price provision, as long as the shareholder vote requirement imbedded in the provision is no more than a majority of the disinterested shares.
 - (ii) Vote for shareholder proposals to lower the shareholder vote requirements imbedded in existing fair price provisions.
- b) Greenmail
 - (i) Vote for proposals to adopt anti-greenmail charter or bylaw amendments or otherwise restrict a company's ability to make greenmail payments.
 - (ii) Vote, subsequent to internal analysis, on each individual proposal regarding anti-greenmail proposals when they are bundled with other charter or bylaw amendments.
 - (iii) Vote on a case-by-case basis regarding restructuring plans that involve the payment of pale greenmail.
- c) Poison Pills
 - (i) **Vote for** shareholder proposals asking that a company submit its poison pill for shareholder ratification.
 - (ii) Shareholder proposals to redeem a company's poison pill are voted subsequent to internal analysis.
 - (iii) Management proposals to ratify a poison pill are voted subsequent to internal analysis.
- d) Stakeholder Provisions

Vote against management proposals allowing the board to consider stakeholders' (outside constituencies') interests when faced with a tender offer.
- e) Super-majority Vote Requirement to Approve Mergers
 - (i) Vote for shareholder proposals to lower super-majority vote requirements for mergers and other business combinations.
 - (ii) Vote against management proposals to require a super-majority shareholders' vote to approve mergers and other significant business combinations.

- f) Super-majority Shareholder Vote Requirements to Amend Charter or Bylaws
 - (i) Vote for shareholder proposals to lower super-majority vote requirements to amend any bylaw or charter provision.
 - (ii) Vote against management proposals to require a super-majority vote to amend any bylaw or charter provision.
- g) Unequal Voting Rights

Vote against proposals for dual class exchange offers and dual class recapitalizations.
- h) Existing Dual Class Companies
 - (i) Vote for shareholder proposals asking that a company report to shareholders on the financial impact of its dual class voting structure.
 - (ii) Vote for shareholder proposals asking that a company submit its dual class voting structure for shareholder ratification.
- i) White Squire Placements

Vote for shareholder proposals to require approval of blank check preferred stock issues for other than general corporation purposes (e.g. raising capital or making acquisitions in the normal course of business).

5. Miscellaneous Corporate Governance Provisions

- a) Abstention Votes

Vote for shareholder proposals recommending that votes to "abstain" not be considered votes "cast" at an annual or special meeting, unless that consideration is required by state law.
- b) Annual Meetings
 - (i) Vote for management proposals asking for authority to vote at the meeting for "other matters" not already described in the proxy statement unless there is a reason to believe the other matters involve substantive issues.
 - (ii) Vote against shareholder proposals to rotate the time or place of annual meetings.
- c) Confidential Voting and Independent Tabulation and Inspections

Vote for proposals to adopt a policy that comprises both confidential voting and the use of independent vote tabulators of elections.
- d) Equal Access

Vote for shareholder proposals to allow significant company shareholders equal access to management's proxy material in order to evaluate and propose voting recommendations on proxy proposals and director nominees, and/or to nominate their own candidates to the board.
- e) Bundled Proposals

Bundled or "conditioned" proxy proposals are voted subsequent to internal analysis on each individual proposal (e.g., management proposals to provide shareholders a special dividend that are bundled with other charter or bylaw changes).

- f) Shareholder Advisory Committee
 - (i) Vote for shareholder proposals to establish shareholder advisory committees.
 - (ii) Decisions on whether or not to join a shareholder advisory committee are voted subsequent to internal analysis.
- g) Disclosure Proposals

Vote for shareholder proposals requesting fuller disclosure of company policies, plans or business practices.
- h) Conflict of Interest

When facing conflicts between our interests and the interests of our clients, BKAM will always act in the best interests of its clients. In proxy voting matters, conflicts of interest can arise in many ways. For example, a proxy issue could arise for one of our public clients that we also own in one or more client accounts. Or, a potential client battling a contentious shareholder proposal may ask for our vote in exchange for granting us an investment mandate. In these cases and other potential conflict scenarios, BKAM must exercise caution to ensure our clients' interests are not compromised.

We believe a reasonable process to screen for potential conflicts that could influence our proxy voting is as follows:

- (i) identify any situation where we do not intend to vote in accordance with our normal policy on any issue;
- (ii) determine who is directing (portfolio manager, client, etc) us to vote contrary to our normal policy;
- (iii) review and analyze for potential conflict issues (e.g., may require PM to disclose any relationship with the issuer via a written questionnaire);
- (iv) Proxy Committee to review request to vote contrary to policy, and potential conflict if any, prior to voting, and will make final decision.
- (v) pursuant to the request of the Board of Trustees of the Penn Street Fund, BKAM will report to the Board any conflict of interest matter and how the Committee resolved it.

The Proxy Committee will be responsible for implementing and following the above process, and has the flexibility to use its reasonable judgment in determining which steps are necessary under each set of circumstances.

6. Capital Structure

- a) Common Stock Authorization
 - (i) Proposals to increase the number of shares of common stock the board is authorized to issue are voted subsequent to internal analysis.
 - (ii) Proposals to increase the number of shares of common stock authorized for issue are voted subsequent to internal analysis.

- (iii) Vote against proposed common share authorizations that increase existing authorization by more than 100 percent unless a clear need for the excess shares is presented by the company.
- b) Stock Distributions: Splits and Dividends
Vote for management proposals to increase common share authorization for a stock split, provided that the increase in authorized shares following the split is not greater than 100 percent of existing authorized shares.
- c) Reverse Stock Splits
Vote for management proposals to implement a reverse stock split that also reduce the number of authorized common shares to a level that does not represent an increase of more than 100 percent of existing authorized common shares.
- d) Blank Check Preferred Stock
 - (i) Vote against management proposals authorizing the creation of new classes of preferred stock which have unspecified rights including voting, conversion or dividend distribution rights.
 - (ii) Vote for shareholder proposals asking that any placement of blank check preferred stock be first approved by shareholders, unless the placement is for ordinary business purposes.
 - (iii) Vote for proposals to create "blank check" preferred stock in cases when the company expressly states that the stock will not be used as a takeover defense or carry superior voting rights.
- e) Adjustments to Par Value of Common Stock
Vote for management proposals to reduce the par value of common stock.
- f) Preemptive Rights
Vote for proposals to provide shareholders with preemptive rights.
- g) Debt Restructuring
Proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan are voted subsequent to internal analysis.
- h) Share Repurchase Programs
Vote for management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms.

7. Executive Compensation/Employee Consideration

- a) Incentive Plans
All proposals on incentive compensation plans (including option plans) for executives and directors are voted subsequent to internal analysis. The evaluation is based on the following criteria (and any other that may be deemed relevant by BKAM):
 - Necessity
 - Reasonableness Test
 - Participation
 - Dilution

- Shares Available
 - Exercise and Payment Terms
 - Change-in-Control Provisions
 - Types of Awards
 - Company specific dilution cap calculated
 - Present Value of all incentives, derivative awards, cash/bonus compensation
 - Shareholder wealth transfer (dollar amount of shareholders' equity paid it's executives)
 - Voting power dilution - Potential percent reduction in relative voting power
 - Criteria for awarding grants
 - Process for determining pay levels
- b) Shareholder Proposals to Limit Executive and Director Compensation
- (i) Generally, vote for shareholder proposals that seek additional disclosure of executive and director compensation information.
 - (ii) All other shareholder proposals that seek to limit executive and director compensation are voted subsequent to internal analysis.
- c) Golden Parachutes
- (i) Vote for shareholder proposals to have golden and tin parachutes submitted for shareholder ratification.
 - (ii) Proposals to ratify or cancel golden or tin parachutes are voted subsequent to internal analysis.
- d) Employee Stock Ownership Plans (ESOP)
- (i) Vote for proposals requesting shareholder approval to implement Employee Stock Ownership Plans, or increase authorized shares for existing Employee Stock Ownership Plans except when the number of shares allocated to the ESOP is excessive (i.e. greater than 5% of outstanding shares).
 - (ii) Votes directly pertaining to the approval of an ESOP or a leveraged ESOP are voted subsequent to internal analysis. Our evaluation is based on the following criteria (and any other that may be deemed relevant):
 - Reasonableness Test
 - Participation
 - Administration
 - Shares Available
 - Exercise and Payment Terms
 - Change-in-Control Provisions
 - Types of Awards
 - Dilution
- e) 401(k) Employee Benefit Plans
- Vote for proposals to implement a 401(k) savings plan for employees.

- f) Discounted Options/Restricted Stock
Vote against discounted options and restricted stock without performance criteria (except restricted stock in U.S.-style stock option plans, which are voted subsequent to internal analysis.
- g) Pension Fund Credits
Vote for proposals that exclude pension fund credits from earnings when calculating executive compensation. In addition, vote against proposals that include pension fund credits in earnings when calculating executive compensation.

8. State of Incorporation

- a) Re-Incorporation Proposals
Proposals to change a corporation's state of incorporation are voted subsequent to internal analysis.
- b) State Takeover Statutes
Proposals to opt in or opt out of state takeover statutes are voted subsequent to internal analysis.
- c) State Fair Price Provisions
Proposals to opt out of S.F .P' s are voted subsequent to internal analysis.
- d) Stakeholder Laws
Vote for proposals to opt out of stakeholder laws (allowing directors to weigh the interest of constituencies other than shareholders in the process of corporate decision making).
- e) Disgorgement Provisions
Proposals to opt out of disgorgement provisions are voted subsequent to internal analysis.

9. Mergers and Corporate Restructurings

- a) Mergers and Acquisitions
Votes on mergers and acquisitions are voted subsequent to internal analysis. The voting decision depends on a number of factors, including:
 - Anticipated financial and operating benefits
 - Offer price (cost vs. premium)
 - Prospects of the combined companies
 - How the deal was negotiated
 - Changes in corporate governance and their impact on shareholder rights
 - Other pertinent factors discussed below.
- b) Corporate Restructurings
Votes on corporate restructuring proposals, including minority squeeze-outs, leveraged buyouts, spin-offs, liquidations and asset sales, are voted subsequent to internal analysis.
- c) Spin-Offs
Votes on spin-offs are voted subsequent to internal analysis considering

- The tax and regulatory advantages
- Planned use of the sale proceeds
- Market focus
- Managerial incentives.

d) Asset Sales

Votes on asset sales are voted subsequent to internal analysis considering

- The impact on the balance sheet/working capital
- The value received for the asset
- The potential elimination of diseconomies.

e) Liquidations

Votes on liquidations voted subsequent to internal analysis after reviewing

- Management's efforts to pursue other alternatives
- The appraisal value of the assets
- The compensation plan for executives managing the liquidation.

f) Rights of Appraisal

Vote for shareholder proposals to provide rights of appraisal to dissenting shareholders.

g) Changing Corporate Name

Vote for changing the corporate name.

10. Social Issues Proposals

a) Social Issues Proposals

Vote to abstain on social issue proposals, unless the proposal is likely to affect shareholder value. If so, the issue is voted subsequent to internal analysis which is based on expected effect on shareholder value, and then voted accordingly. Generally, vote for disclosure reports that seek additional information.

11. Proxies Not Voted

a) Shares Out on Loan

Proxies are not available to be voted when shares are out on loan through client securities lending programs with their custodians.

b) Share-Blocking

Proxies are not voted for countries with "share-blocking", generally, voting would restrict ability to sell shares. A list of countries with "share-blocking" is available upon request.

c) Other

There may be circumstances; such as costs or other factors, where BKAM would in its reasonable discretion refrain from voting proxy shares if it is in the best interest of the adviser's clients.

Section 16: Financial Information

Black Knight Asset Management does not custody client securities/funds, nor require prepayment of sub-advisory fees. BKAM financial statements are available upon request.