

## FIRM BROCHURE *(PART 2A OF FORM ADV)*

HARPSWELL CAPITAL MANAGEMENT, LLC  
2 MONUMENT SQUARE, SUITE 650  
PORTLAND, MAINE 04101  
(207) 221-2202  
[www.harpswellcapital.com](http://www.harpswellcapital.com)  
[info@harpswellcapital.com](mailto:info@harpswellcapital.com)

March 2011

This brochure provides information about the qualifications and business practices of Harpswell Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at: (207) 221-2202, or by email at: [info@harpswellcapital.com](mailto:info@harpswellcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC or a state securities authority does not imply a certain level of skill or training.

Additional information about Harpswell Capital Management LLC, also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## ITEM 2: MATERIAL CHANGES

### ***Material Changes since the Last Update***

The last annual update to this Brochure occurred on March 31, 2010. More recently, this Brochure was amended on April 30, 2010, adding Julia A. Finn as Chief Compliance Officer. Since that time there have been three material changes:

1. Harpswell amended its Compliance Manual and instituted a policy whereby Harpswell employees are not permitted to purchase stocks in Harpswell's investment universe. This change was effective December 30, 2010.
  2. On March 14, 2011, Harpswell hired Brian VanDelinder as Operations Manager. Brian was previously an operations analyst at a hedge fund as well as a fund accountant at Citi Global Transaction Services with over seven years of experience in fund operations and finance.
  3. Effective February 1, 2011, John T. Wellehan is no longer employed by Harpswell. John's work primarily focused on the transportation sector, which constituted an average of 4% exposure in 2010 with generally negative returns. Going forward, the sector exposure will be reduced to 1%, with advances made only when attractive opportunities arise. Harpswell's needs, with respect to research analysts, require a team approach and a focus on all areas of Harpswell's universe within the energy, utility and basic material sectors. Troy Goddu has been working closely with the Portfolio Manager and will serve as Harpswell's Research Analyst.
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## **ITEM 4: ADVISORY BUSINESS**

### ***Firm Description***

Harpwell Capital Management, LLC, (“Harpwell”) a Delaware limited liability company formed in November 2006, is (1) the general partner of Harpwell Capital Partners (the “Onshore Fund”); (2) the investment manager of Harpwell Capital Offshore Fund Limited (the “Offshore Fund”); and (3) the investment manager for two separately managed accounts. Harpwell Capital Management has exclusive responsibility for the investments, management and control of the funds, including the making of all purchases and sales of securities, the admission of additional investors and the acceptance of additional capital from existing clients.

The Managing Director of Harpwell Capital Management, John P. Moore, has more than 15 years of experience in the utility and energy sectors as both an Analyst and Portfolio Manager. Mr. Moore earned a Bachelor of Arts degree from Hobart College and a Masters of Science degree from the London School of Economics and Political Science. Mr. Moore is a Chartered Financial Analyst.

Harpwell does not participate in wrap fee programs.

Harpwell does manage client assets, one hundred percent of which are managed on a discretionary basis. Assets under management are \$298,100,000 as of December 31, 2010.

### ***Principal Owner***

John P. Moore

### ***Types of Advisory Services***

Harpwell provides investment supervisory services, engaging in the purchase and sale of publicly traded securities, primarily in the utilities, energy and basic materials sectors.

### ***Tailored Relationships***

Harpwell’s investment strategy is not tailored to particular accounts; i.e. investments in the funds apply to all clients equally. However, investors with separately managed accounts enter into agreements with guidelines and restrictions that take into account individual needs including risk tolerance and other specified criteria.

## ***Assets Under Discretionary and Non-Discretionary Management***

All assets are under discretionary management.

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### **ITEM 5: FEES AND COMPENSATION**

#### ***Description***

Harpwell generally charges both fixed management fees and performance fees to portfolios that it manages. Performance fees will be charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended. Harpswell's basic fee structure generally includes a quarterly management fee, payable in advance on the first day of each calendar quarter, as follows: (1) with respect to investors whose initial investment predates March 1, 2010, an amount equal to one-quarter (1/4) of one percent (1.0%) of the value of such investor's pro rata portion (determined with reference to the respective capital account balances of the investors) of the net assets of the fund as of such date as of the opening of business on the first business day of such calendar quarter (before giving effect to the management fees payable on such date), and (2) with respect to investors whose initial investment postdates March 1, 2010, an amount equal to one-quarter (1/4) of one and one-half percent (1.5%) of the value of the capital account of such investor as of the opening of business on the first business day of such calendar quarter (before giving effect to the management fees payable on such date). In addition, Harpswell assesses an annual performance fee equal to twenty percent (20%) of the net appreciation on a client's account (subject to a set off against any previous unrecovered losses). Performance fees will be payable as of each calendar year end and upon a withdrawal of capital. Quarterly management fees will be prorated in the event that a client places capital under the management of Harpswell other than on the first day of a calendar quarter.

While Harpswell does on occasion enter into side letters with investors, Harpswell does not negotiate on fees. However, Harpswell does maintain discretion with respect to allowing investors into the earlier (pre March 1, 2010) share class/fee structure. Harpswell has no obligation to seek comments from other investors on such agreements or side letters or to disclose them to the other investors. The Managing Director may create new classes or sub-classes of interests, which are subject to different terms.

#### ***Fee Billing***

With respect to the funds, Harpswell's fund administrator pays management fees directly. With respect to the separately managed accounts, fees are invoiced and paid quarterly according to the applicable investment agreement.

### ***Other Fees or Expenses***

The funds, and indirectly investors, are responsible for the following fees: brokerage, custodial, audit, tax preparation and fund administration/accounting.

### ***Participation or Interest in Client Transaction***

Harpwell employees may at times invest in the funds under management.

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## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Please see Item 5 regarding performance-based fees and special allocations.

The management fee will be prorated in the event that additional capital contributions are made on a date other than the start of a calendar quarter and a pro rata portion will be refunded if the fund terminates on a date other than the last day of a calendar quarter. Harpswell may elect to waive the management fee in whole or in part for any investor, in which case the assets of the fund allocable to such investor subject to the waiver will be subtracted from the fund's net asset value for purposes of calculating the management fee and the expense of the management fee will be specially allocated to those investors subject to the fee in a manner which reflects the waiver. Harpswell expects to waive the management fee for employees and affiliates of Harpswell.

All client accounts are treated fairly and equally. No client account will be favored over another.

Harpwell encourages investment in the funds by its supervised persons.

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## **ITEM 7: TYPES OF CLIENTS**

Harpwell's clients include private investment funds in which individuals, investment companies, pension and profit sharing plans, and trusts, estates, or charitable organizations may invest.

Harpwell also manages two separately managed accounts.

The minimum single investment commitment by a client or investor in the funds is \$2,500,000. Harpswell reserves the right to reduce the minimum single investment commitment on a case-by-case basis. Investors are required to be "accredited investors" as that term is defined in Rule 501 of the Securities Act of 1933.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### ***Methods of Analysis and Investment Strategies***

Harpowell manages portfolios of equity securities of public companies, primarily in the United States. It is Harpswell's intention that most of its clients' capital will be invested in generally liquid long and short positions, in public equity and other marketable securities. While Harpswell's investment strategies may include a broad range of equity securities, Harpswell intends to focus its strategies within the energy, utility and basic material sectors.

Harpowell's investment strategy generally features a bias towards value stocks. However, Harpswell may also invest client assets based on the recognition that momentum stocks may outperform value stocks under certain conditions. Harpswell will employ two distinct means for identifying investment opportunities: (1) fundamental analysis to identify catalysts or events that will likely result in relative out or under-performance for companies' securities, and; (2) screening for attractive investment opportunities using proprietary tools that help to identify value and momentum oriented investment opportunities. The quantitative tools allow Harpswell to analyze a multitude of factors relevant to energy, utility and basic material companies. Harpswell relies heavily on a well-structured investment process that includes a focus on long-term fundamentals. Harpswell devotes considerable resources to risk analysis and has regular contact with most of the companies in which it invests, as well as regulators for some of the regulatory bodies affecting utilities and energy companies.

### ***Risk of Loss***

Harpowell's investment objectives present a business and financial risk that a potential investor must be willing and able to bear. Investment in the funds is inadvisable for investors who may not be able to hold their Interests for a period of at least 12 months and who cannot afford a complete loss of their investment. Clients and prospective clients are advised to review thoroughly the Private Placement Memoranda, specifically the section entitled "Investment Considerations," for full disclosure of the potential risks.

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## **ITEM 9: DISCIPLINARY INFORMATION**

No legal or disciplinary events have occurred since Harpswell's inception.

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## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Not applicable.



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## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### ***Code of Ethics***

Harpswell has adopted a Code of Ethics (the “Code”) in accordance with Rule 204A-1 of the Investment Advisers Act of 1940. A copy of the Code is available to clients upon request without charge. The purpose of the Code is to set forth certain key guidelines that have been adopted by Harpswell as office policy. It provides guidance for all personnel and specifies the responsibilities of all of Harpswell’s employees to act in accordance with their fiduciary duty to clients and to comply with applicable federal and state laws and regulations. The standards are premised on the concepts of integrity, honesty and trust, and in full compliance with all applicable federal and state laws and regulations concerning the securities industry. The following is a summary of certain provisions of the Code.

### ***Confidential Information***

As an investment advisor, Harpswell has a fiduciary duty to its clients not to divulge or misuse information obtained in connection with its services as an advisor. All information, whether of a personal or business nature, that an employee obtains about a client’s affairs in the course of employment with Harpswell should be treated as confidential and used only to provide services to or otherwise to the benefit of the client. Harpswell’s services to the client, such as advisory services, should ordinarily be treated as confidential. Employees must not discuss or disclose confidential information about clients to anyone outside of the firm. Employees should not confide client information to their relatives, friends or strangers. The Code provides that any misuse of confidential information about a client may cause both the client and Harpswell substantial injury; therefore, there are serious consequences for employees who fail to comply with the Code. In addition to client information, information about non-clients that may be included in client information also should be held in confidence.

The Code provides steps that employees can take to assure that confidential information is not disclosed to persons outside the office, including: avoiding inadvertent or accidental disclosure by engaging in careless conversation in public environments; safeguarding papers and documents by marking file folders and locking file cabinets when appropriate; and employing additional safeguards such as establishing barriers to the exchange of information in especially sensitive situations and exercising care when transmitting confidential information by email or through the internet.

### ***Material Inside Information***

All Harpswell employees and all persons who receive nonpublic material inside information from employees concerning an issuer of securities (whether such issuer is a client or not or public or private) are subject to these rules. The Code provides that if any employee gives nonpublic material inside information concerning an issuer to a person outside Harpswell who then trades in securities of that issuer, the employee and that person may both have civil and criminal liability. To avoid confusion, inside information generally is information about an issuer's business or operations (past, present or prospective) that becomes known to an employee and which is not otherwise available to the public. If a person knows information about an issuer which the person believes would influence an investor in any investment decision concerning that issuer's securities and which has not been disclosed to the public, the person should not buy or sell that issuer's securities. The Code sets forth a list of certain kinds of information that are particularly likely to be considered "material inside information." In addition, the Code explicitly forbids the disclosure of material inside information to another person ("tipping") who subsequently uses that information for his or her profit.

In alignment with federal law, the Code prohibits any employee from using material inside information, whether obtained in the course of working at Harpswell or otherwise, for his or her private gain, for Harpswell's gain or for the client's gain. No trades should be executed for any employee, client or Harpswell, if Harpswell or the person executing the trade has material inside information about the issuer. Even in cases where the information is in the public domain, case law requires that a person waits for a reasonable period of time after the publication prior to disclosure. Therefore, employees should not trade in the affected securities without first consulting with the Chief Compliance Officer.

In order to simplify and streamline the rules around Harpswell employees and insider trading, as of December 30, 2010, all Harpswell employees are prohibited from purchasing any security in Harpswell's investment universe, other than indirectly by investment in funds managed by Harpswell.

All personnel receiving material, nonpublic information have the same duty not to disclose or use that information in connection with transactions of client securities. Employees also may not purchase or sell any securities with respect to which they have inside information for Harpswell's or for a client's account or cause clients to trade on such information until after such information becomes public. The foregoing prohibition applies whether or not the material inside information is the basis for the trade. Whenever employees come into possession of what they believe may be material nonpublic information about an issuer or come across information about an issuer in the public domain, employees should contact the Chief Compliance Officer as Harpswell as a whole may have an obligation not to trade in the securities of the issuer. The Chief Compliance Officer will inform appropriate personnel about issuers about whom Harpswell has inside information so as to prevent any trading in securities of such issuers.

### ***Fiduciary Duty and Conflicts of Interest***

Harpswell and its employees have a fiduciary duty to act for the clients' benefit and to treat the clients fairly. Harpswell and its employees have a duty to take action on their clients' behalf before taking action in the interest of any employee or of Harpswell. The Code highlights many of the common conflicts of interest that may arise between Harpswell's employees and its clients. The manner in which an employee discharges his or her fiduciary duty and addresses a conflict of interest depends on the circumstances. Sometimes general disclosure of common conflicts of interest may suffice. Other times explicit consent of the clients to the particular transaction giving rise to a conflict of interest may be required. In other circumstances, an employee may be prohibited from engaging in the transaction regardless of whether the client consents. The client's consent will not in all cases insulate the employee against a claim of breach of the employee's fiduciary duty. Full disclosure of all material facts must be given if a consent is to be effective. The duty to disclose and obtain a client's consent to a conflict of interest must always be undertaken in a manner consistent with the employee's duty to deal fairly with the client. Therefore, even when taking action with a client's consent, each employee must always seek to assure that the action taken is fair to the client.

The Code provides several common examples of conflicts of interest, including arrangements with selection and commissions of broker-dealers, gifts, and serving as a director or member of an investment committee of any public company, or of any organization where such duties might require involvement in investment decisions.

### ***Unfair Treatment of Certain Clients Vis-à-vis Others***

An employee who handles one or more clients may be faced with situations in which it is possible to give preference to certain clients over others. Employees must be careful not to give preference to one client over another even if the preferential treatment would benefit Harpswell or the employee. The fiduciary duty of an employee to a client must govern the employee's actions in each situation and the extent of the fiduciary duty of an employee to a client is determined by the specific relationship between the parties and the reasonable inferences to be drawn from the relationship. In the absence of express or implied agreements between the parties, usage and custom should be used to determine how an employee should discharge his or her duty. Each situation should be examined closely to determine whether the client has consented to the employee's actions favoring another client and whether the resulting relationship with the client, with was not favored, is fair and consistent with the securities laws.

### ***Dealing with Clients as Agent and Principal***

In accordance with Section 206(3) of the Advisers Act, employees, who are involved in situations where Harpswell is buying or selling securities from a client or acting as a broker-dealer for a non-client in a transaction with an advisory client, must disclose to the client in writing the capacity in which Harpswell acts, its profits (if it acts as principal)

and its commissions (if it acts as agent for another) and obtain the client's consent. Employees must consult with the Chief Compliance Officer prior to entering such relationships.

### ***Personal Trading***

The Code establishes that all employees, partners, officers or directors of Harpswell are considered to be "Access Persons" as defined under the Advisers Act. Employees must obtain preclearance in writing from the Chief Compliance Officer before buying, selling, or pledging any security for any account in which the employee has or is deemed by the Code to have a beneficial interest ("Covered Accounts"). Transactions effected without preclearance are subject, in the Chief Compliance Officer's discretion, to being reversed or, if the employee made profits on the transaction, to disgorgement of such profits. The Chief Compliance Officer's trades shall be approved by the President. No Harpswell employee may purchase securities within Harpswell's investment universe.

Other policies on personal trading include: setting limits on short-term trading where no employee may engage in the purchase and sale, or sale and purchase, for a Covered Account of the same (or equivalent) securities within any period of 60 calendar days; providing that no Covered Account may buy, own, or trade in any options or futures contracts on any securities or securities indices; and limiting investment opportunities by precluding any employee from purchasing any equity securities issued in an initial public offering or any securities offered in a "private placement" for any Covered Account without the prior written approval of the Chief Compliance Officer. In the case of limiting trades of options, futures and other similar derivative securities, the Chief Compliance Officer may grant exceptions in circumstances in which she determines that no potential exists for the appearance of impropriety and that this prohibition would result in unreasonable hardship for the employee or other beneficial owners of a Covered Account.

The Code imposes strict employee reporting standards. Under the Code, each employee must submit an initial holdings report no later than 10 days following the date of this Code or of initial employment, disclosing to the Chief Compliance Officer the identities, amounts, and locations of all securities owned in all Covered Accounts. In addition, each employee must disclose similar information within thirty (30) days after the end of each calendar year while employed by Harpswell, starting in 2008. Such reports must be current as of a date not more than 45 days prior to the employee joining Harpswell (for an initial report) or the date the report is submitted (for the annual report). In addition to self-reporting, each employee must instruct each broker, bank, or other financial institution in which the employee has a Covered Account to provide Harpswell with duplicates of all monthly or other periodic statements. Each employee also must report to the Chief Compliance Officer within 30 days after the end of each calendar quarter all securities transactions in all of the employee's Covered Accounts during the preceding quarter.

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## ITEM 12: BROKERAGE PRACTICES

### *Selecting Brokerage Firms*

Harpwell assumes general supervision over placement of securities orders for the client portfolios it manages. Harpwell has the authority to determine the broker-dealer to be used in any securities transaction and the commission rate to be paid. While the primary criterion for all transactions in portfolio securities is the execution of orders at the most favorable net price, numerous additional factors may be considered when arranging for the purchase and sale of clients' portfolio securities. These include restrictions imposed by the federal securities laws and the allocation of brokerage in return for certain services and materials described below.

Harpwell will determine the abilities of a broker-dealer to obtain best execution of a particular transaction by considering relevant factors, including, but not limited to: (i) execution capabilities required by the transaction; (ii) ability and willingness of the broker-dealer to facilitate the account's portfolio transaction promptly and at reasonable expense; (iii) client's importance given to speed, efficiency or confidentiality; (iv) broker-dealer's apparent familiarity with sources buying and selling the securities; and (v) strength of the broker-dealer's research, quotation and consulting services and its ability to supplement Harpwell's management capabilities. The Best Execution and Soft Dollars Policy provides that Harpwell may use broker-provided research services which assist Harpwell in carrying out its investment decision making responsibilities.

Harpwell intends to comply with Section 28(e) of the Securities Exchange Act of 1934 in connection with, and to the extent that it uses, soft dollars. In cases where Harpwell acquires a research product or service with soft dollars that also has nonresearch uses, Harpwell will make a reasonable allocation of the cost of the product or service according to its use. Nonresearch services will be paid for by Harpwell in hard dollars.

All research services received from broker-dealers to whom commissions are paid are used collectively. There is no direct relationship between commissions received by a broker-dealer from a particular client's transaction and the use of any or all of that broker-dealer's research material in relation to that client's account. Harpwell may pay a broker-dealer a brokerage commission in excess of that which another broker-dealer might have charged for the same transaction in recognition of research and brokerage related services provided by the broker-dealer. In addition, a client may instruct Harpwell to direct securities transactions to a particular brokerage firm. Harpwell

advises clients that directed brokerage may result in such client paying higher commissions than would be the case if Harpswell were able to select brokers freely. Directed brokerage in many cases limits Harpswell's ability to negotiate commissions for the client and its ability to aggregate orders and may result in an inability to obtain volume discounts or best execution for the client in some transactions.

On a semi-annual basis, the Chief Compliance Officer shall review the list of brokers with whom Harpswell does business, the commissions paid to such brokers and the soft dollar products and services provided by such brokers to Harpswell and assess whether Harpswell is achieving best execution and is complying with its brokerage policy. The Chief Compliance Officer shall provide a written report of such assessment to Harpswell's president, along with any recommendations for changes.

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### **ITEM 13: REVIEW OF ACCOUNTS**

All client accounts are reviewed on a daily basis by John P. Moore, the President and Managing Director of the Company.

#### ***Regular Reports***

Clients will be provided (either directly by the Account Administrator or by Harpswell) monthly statements containing the month end NAV of the client's account and the performance over the relevant period. In addition, investors in both the onshore and offshore funds will receive unaudited quarterly reports of the performance over the previous quarter, as well as an audited statement of net assets, statement of income and expenses and statement of changes in net assets and capital for each fiscal year within 120 days of the end of such fiscal year.

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### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

The firm has a relationship with a broker dealer who is compensated for having referred a limited number of clients. A portion of the fees generated by the referrals are shared with the broker dealer. Harpswell does not anticipate utilizing such relationships going forward.

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## ITEM 15: CUSTODY

Harpowell provides monthly statements to investors in the funds that it manages. Clients are encouraged to review such statements and compare to the audited financial statements.

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## ITEM 16: INVESTMENT DISCRETION

Harpowell retains authority to determine, without obtaining specific client consent, the particular securities to be bought or sold; the amount of securities to be bought or sold; the broker dealer to be used; and the commission rates paid. For more information regarding broker dealer and commission rates, please see Item 12.

Harpowell assumes general supervision over placement of securities orders for the client portfolios it manages. While the primary criterion for all transactions in portfolio securities is the execution of orders at the most favorable net price, numerous additional factors may be considered when arranging for the purchase and sale of clients' portfolio securities. These include restrictions imposed by the federal securities laws.

Harpowell is subject to the investment guidelines and restrictions that pertain to the funds as described in the private placement memoranda of each fund. With respect to the separately managed accounts, such guidelines and restrictions are negotiated with the client individually. The areas discussed in the guidelines include but are not limited to, position size, diversification and market neutrality.

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## ITEM 17: VOTING CLIENT SECURITIES

### ***Proxy Votes***

Harpowell adopted a written proxy voting policy and related procedures designed to assure that client securities are voted in the best interests of the client and address material conflicts of interest that may arise between the investment adviser and its clients. It is the responsibility of all employees who are involved in portfolio management and/or the voting of client proxies to familiarize themselves with and adhere to Harpswell's proxy voting policy.

Any proxies received by the Company in connection with the client accounts will be reviewed by the Chief Compliance Officer. Due to the fact that the Harpswell's investment strategy focuses on shorter term investments, Harpswell expects that it will not respond to most proxy requests unless the requested vote presents a material issue with respect to the interests of Harpswell's client to which such proxy relates and such client's best interests would be served by a response from Harpswell. By the terms of such proxies, such non-response may result in a "Yes" vote to management

recommendations. In the event that the Chief Compliance Officer determines that a material conflict exists between the interests of Harpswell and that of the client, such client will be given the opportunity to vote the proxy directly.

Clients may contact the Chief Compliance Officer, Julia Finn, via email at [jaf@hcrpswellcapital.com](mailto:jaf@hcrpswellcapital.com) or telephone at (207) 221-6220, in order to obtain information on how the firm voted such client's proxies, and to request a copy of these policies and procedures. If a client requests this information the Compliance Officer will prepare a written response to the client that lists, with respect to each voted proxy that the client has inquired about (1) the name of the issuer; (2) the proposal voted upon; and (3) how the firm voted the client's proxy.

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#### **ITEM 18: FINANCIAL INFORMATION**

Harpswell does not believe there is any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.

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#### **ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not applicable.

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