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Second Moment Capital Management, LLC

March 30, 2011

This brochure provides information about the qualifications and business practices of Second Moment Capital Management, LLC ("SMCM"), an investment adviser registered with the United States Securities and Exchange Commission (the "SEC"). If you have any questions about the contents of this brochure, please contact Robert Butman at 203-653-3030 or by email at rbutman@secmoment.com. This information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Second Moment Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Second Moment Capital Management, LLC
227 Lambert Road
Barn Building
New Canaan, CT 06840
Tel: 203-653-3000
Fax: 203-966-1076

TABLE OF CONTENTS

| | | |
|-----------|---|----|
| Item 4. | Advisory Business..... | 3 |
| Item 5. | Fees and Compensation | 4 |
| Item 6. | Performance-Based Fees and Side-by-Side Management..... | 5 |
| Item 7. | Types of Clients | 6 |
| Item 8. | Methods of Analysis, Investment Strategies and Risk of Loss | 7 |
| Item 9. | Disciplinary Information | 10 |
| Item 10. | Other Financial Industry Activities and Affiliations | 10 |
| Item 11. | Code of Ethics, Participation or Interest in Client Transactions and Personal Trading | 11 |
| Item 12. | Brokerage Practices | 13 |
| Item 13. | Review of Accounts..... | 15 |
| Item 14. | Client Referrals and Other Compensation..... | 15 |
| Item 15. | Custody | 15 |
| Item 16. | Investment Discretion..... | 16 |
| Item 17. | Voting Client Securities | 17 |
| Item 18. | Financial Information | 17 |
| Item 19. | Requirements for State-Registered Advisers | 17 |
| Appendix: | Material Changesõ ... | 17 |

Second Moment Capital Management LLC (SMCM) is an investment adviser with its principal place of business in New Canaan, CT. SMCM commenced operations as an investment adviser on January 01, 2009 and has been registered with the SEC since July 15, 2009. Robert Butman and Paul Bucci are the principal owners of SMCM.

SMCM provides investment advisory services on a discretionary basis to its clients, which include individuals; pension and profit sharing plans; trusts, estates or charitable organizations; and institutions with separately managed accounts, and pooled investment vehicles intended for sophisticated investors and institutional investors. Presently, SMCM is managing assets exclusively on a sub-advisory basis and limits its investment advice to convertible securities. More specifically, SMCM specializes in managing global convertible securities, including convertible bonds, convertible preferred stocks, synthetic convertibles, mandatory securities and warrants.

SMCM provides advice to client accounts based on specific investment objectives and strategies. Under certain circumstances, SMCM may agree to tailor advisory services to the individual needs of clients, such as restricting the selection of convertible securities by investment grade or geographic market.

As of January 1, 2011, SMCM had approximately \$26,965,379 in client assets under management. As of that date, SMCM managed all of those assets on a discretionary basis.

A. Advisory Fees and Compensation

Asset-Based Compensation

SMCM charges investment management fees based on the value of the client's assets under management, in accordance with the following schedule:

| <u>Assets in the Account</u> | <u>Investment Management Fee (As an Annual % of Assets)</u> |
|------------------------------|---|
| Up to \$10,000,000 | 1.25% |
| \$10,000,000 to \$50,000,000 | 1.00% |
| Over \$50,000,000 | 0.75% |

Investment management fees are charged each quarter in arrears based on the total market value of the assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the last day of the quarter. If a new client account is established during a quarter or a client makes an addition to its account during a quarter, the investment management fee will be prorated for the number of days remaining in the quarter. If a client's investment management agreement is terminated or a withdrawal is made from a client account during a quarter, the fee payable to SMCM will be calculated based on the value of the assets on the termination date or withdrawal date and prorated for the number of days during the quarter in which the investment management arrangement was in effect or such amount was in the account.

These fees are negotiable. SMCM negotiated these fees for its initial client.

Performance-Based Compensation

SMCM may also be paid a performance-based fee, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle). This compensation may range from 5-20%. Under certain circumstances, receipt of performance-based compensation may also be subject to a hurdle rate. These fees are negotiable. Currently, SMCM does not have any clients paying a performance-based fee.

B. Payment of Fee SMCM does not deduct the investment management fee from client accounts. Rather, SMCM bills clients for fees incurred. SMCM bills clients for investment management fees quarterly.

C. Other Fees and Expenses. In addition to paying investment management fees and, if applicable, performance-based fees or other compensation, client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the client's account invests) associated with products or services that may be necessary or incidental to such investments or accounts. Client assets may be invested in pooled investment vehicles. In these cases, clients will bear their pro rata share of the underlying fund's operating and other expenses including, in



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enses, legal expenses; internal and external accounting, audit
nizational expenses. Please refer to Item 12 of this Firm
verage practices.

Item 6. Performance-Based Fees and Side-by-Side Management

SMCM and its investment personnel may provide investment management services to multiple portfolios for multiple clients. Under these circumstances, SMCM would be paid performance-based compensation by a private pooled investment vehicle clients and certain other client accounts. In addition, SMCM's investment personnel are typically compensated on a basis that includes a performance-based component. SMCM and its investment personnel, including investment personnel that share in performance-based compensation, may manage both client accounts that are charged performance-based compensation and accounts that are charged an asset-based fee, which is a non-performance-based fee(s). In addition, certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When SMCM and its investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. SMCM and its investment personnel have a greater incentive to favor client accounts that pay SMCM (and indirectly the portfolio manager) performance-based compensation or higher fees.

SMCM has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. SMCM reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, SMCM's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities pro rata based on asset size and require that, to the extent orders are aggregated, the client orders are price-averaged. Finally, SMCM's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These areas are monitored by SMCM's Chief Compliance Officer.



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Item 7. Types of Clients

SMCM's clients may consist of individuals, banks and thrift institutions, investment companies, private funds, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. Presently, SMCM's only client is a registered investment adviser.

SMCM requires its separate account clients to invest a minimum of \$1,000,000 to open an account and to maintain a minimum account size of \$500,000. If the account size falls below the minimum requirement due to market fluctuations only, a client will not be required to invest additional funds with SMCM to meet the minimum account size.

With respect to any client that is a pooled investment vehicle, any initial and additional subscription minimums are disclosed in the offering memorandum for the pooled investment vehicle.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis and Investment Strategies. SMCM utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental research, as well as use of quantitative tools and investment approaches.

With respect to fundamental research SMCM will research and analyze a variety of information, including information on the economy, various industries, groups of securities and individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments, technical market action, pricing and appraisals services, credit and risk measurement and performance analyses.

With respect to quantitative tools, SMCM uses quantitative technology to screen the fundamental factors described above, as well as individual companies on a wide range of credit characteristics.

SMCM employs the following investment strategies:

Buy and Hold. SMCM engages in a buy and hold investment strategy wherein SMCM buys convertible securities and holds them for a relatively long period of time (typically one year or more), regardless of short-term factors such as fluctuations in the market or volatility of the underlying stock price.

Equity. On occasion, SMCM may hold equity in the portfolio upon the forced conversion of a convertible security. Under these circumstances, the equity is generally held for a short period of time with the intent to sell as market liquidity is provided. In addition, SMCM manages client accounts that are global, multi-national, or focused on particular geographic regions or specific countries.

Fundamental Value. SMCM engages in a fundamental value investment strategy wherein SMCM attempts to invest in asset-rich convertible securities SMCM believes are undervalued by the market.

Growth. SMCM engages in a growth investment strategy wherein SMCM attempts to select convertible securities of a company whose earnings SMCM expects to grow at an above-average rate compared to the company's specific industry or the overall market.

Hedging. SMCM can utilize a variety of financial instruments such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts for risk management purposes.

Each of these methods, strategies and investments involve risk of loss to clients and clients must be prepared to bear the loss of their entire investment.

B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies.

Hedging. There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while SMCM may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for SMCM's investment portfolios than if SMCM did not engage in any such hedging transactions.

Interest Rate Risks. Generally, the value of the bond component of convertible securities changes inversely with changes in interest rates. As interest rates rise, the market value of convertible securities tends to decrease. Conversely, as interest rates fall, the market value of convertible securities tends to increase. This risk is greater for convertibles with long maturity dates than for those with short maturity dates.

financial condition of an issuer or counterparty, changes in that affect a particular type of security or issuer, and changes in an increase the risk of default by an issuer or counterparty,

which can affect a security's or instrument's value. The value of convertible securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

Lack of Diversification. Client accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios are subject to more rapid change in value than would be the case if SMCM were required to maintain a wider diversification among types of securities and other instruments.

C. Risks Associated With Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks).

Convertible Securities: Convertible Securities are securities that may be exchanged or converted into a predetermined number of the issuer's underlying shares or the shares of another company or that are indexed to an unmanaged market index at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants, zero-coupon bonds or liquid-yield option notes, stock index notes, mandatories, or a combination of the features of these securities. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase and conversely, increase as interest rates decline. Convertible securities, however, also appreciate when the underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates.

Derivatives. Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or SMCM. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

Distressed Securities. Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

Emerging Markets. The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments.

...differently from small cap stocks, and "growth" stocks can react to political, or economic developments can affect a single issuer, sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities such as bonds, notes and convertible securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

Illiquid Instruments. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and SMCM's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for SMCM to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.

Non-U.S. Securities. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

REITs. Convertible REITs in which SMCM invests client accounts are affected by underlying real estate values, which may have an exaggerated effect to the extent that convertible REITs in which SMCM invests concentrate investments in particular geographic regions or property types. Investments in convertible REITs are also subject to the risk of interest rate volatility. Further, rising interest rates will cause investors in convertible REITs to demand a higher annual yield from future distributions, which will in turn decrease market prices for equity securities issued by convertible REITs. Convertible REITs are subject to risks inherent in operating and financing a limited number of projects because they are dependent upon specialized management skills, and have limited diversification. Convertible REITs depend generally on their ability to generate cash flow to make distributions to investors.

Security Futures and Options. In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the client's account. In addition, SMCM's investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.



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The Item is not applicable.

Item 10. Other Financial Industry Activities and Affiliations

The Item is not applicable.

A. Code of Ethics SMCM has adopted a Code of Ethics (the "Code") that obligates all officers, members or employees and its related persons (collectively, "Covered Persons") to put the interests of SMCM's clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of SMCM's personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Robert Butman (Chief Compliance Officer) by email at rbutman@secmoment.com, or by telephone at 203-653-3030. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

SMCM, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which SMCM or its related persons have invested or seek to invest on behalf of clients. SMCM is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. SMCM maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that SMCM is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, SMCM may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but SMCM will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, SMCM will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that SMCM possesses such information), or not using such information for the client's benefit, as a result of following SMCM's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

B. Investing in Securities Recommended to Clients. In addition, SMCM or its related persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that SMCM or a related person recommends to clients. Such practices present a conflict where, because of the information SMCM has, SMCM or its related person are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the client's trades). In addition to affecting SMCM's or its related person's objectivity, these practices by SMCM or its related persons may also harm clients by adversely affecting the price at which the client's trades are executed. SMCM has adopted the following procedures in an effort to minimize such conflicts: SMCM requires its related persons/access persons to preclear all transactions in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. SMCM requires its related persons/access persons to aggregate their personal trades in a security with client trades in the same security on the same day. In addition, SMCM's Code prohibits SMCM or its related persons/access persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of SMCM's related persons are required to disclose their securities transactions on a quarterly basis and holdings on an annual basis. All of SMCM's related persons are also required to provide broker confirmations of each transaction in which they engage and a monthly certification of such transactions. Trading in employee accounts will be reviewed by the Chief Compliance Officer and compared with transactions for the client accounts and reviewed against the restricted securities list.



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emporaneous Trading. SMCM or a related person from time counts, at or about the same time that SMCM or related person own account (in accordance with the procedures described

above) in order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for SMCM or its related person to the detriment of the client. In addition, SMCM has adopted the aggregation policies and procedures discussed in Item 12.

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

SMCM considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, offering to SMCM on-line access to computerized data regarding a client's accounts. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, SMCM need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not SMCM's practice to negotiate execution only+ commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. SMCM's Chief Compliance Officer and portfolio managers/traders meet periodically to evaluate the broker-dealers used by SMCM to execute client trades using the foregoing factors.

1. Research and Other Soft Dollar Benefits SMCM may receive research or other products or services other than execution from a broker-dealer and/or a third party in connection with client securities transactions. This is known as a soft dollar+relationship. The Adviser will limit the use of soft dollars+to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 (Section 28(e)+). 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; consultants'advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers 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 an adviser 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.

When SMCM uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, SMCM's Chief Compliance Officer, traders and portfolio managers meet periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or SMCM's overall responsibilities to the accounts or portfolios over which we exercise investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, SMCM will not have to pay for the products and services itself. This creates an incentive for SMCM to select or recommend a broker-dealer based on its interest in receiving those products and services.

During SMCM's last fiscal year, SMCM did not use any brokerage commissions (or markups or markdowns) to acquire any products or services.



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From time to time SMCM may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by SMCM or recommend these private funds as an investment to clients. SMCM may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if SMCM determines that it is otherwise consistent with seeking best execution. In no event will SMCM select a broker-dealer as a means of remuneration for recommending SMCM or any other product managed by SMCM (or an affiliate) or affording SMCM with the opportunity to participate in capital introduction programs.

B. Order Aggregation

SMCM often purchases or sells the same security for many clients contemporaneously (at or near the same time) and using the same executing broker. It is SMCM's practice, where possible, to aggregate client orders for the purchase or sale of the same security submitted contemporaneously for execution using the same executing broker. SMCM will also aggregate in the same transaction, the same securities for accounts where SMCM has brokerage discretion. Such aggregation may enable SMCM to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. In cases where trading or investment restrictions are placed on a client's account, SMCM may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or receive less favorable prices than clients who are able to participate in an aggregated order. When an aggregated order is completely filled, SMCM allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, SMCM's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating clients.

A. Frequency and Nature of Review Each client account is reviewed by a senior portfolio manager/managing director of SMCM on a weekly basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account.

B. Content and Frequency of Regular Account Reports Each client that has a separate account will receive a monthly or quarterly valuation report as provided in the client's investment management agreement reflecting the current net asset value and/or capital account balances of their account. Clients may request more frequent or more detailed reports in accordance with their individual needs. Such reports may be delivered electronically to the client in accordance with the client's agreement with SMCM.

Item 14. Client Referrals and Other Compensation

A. Economic Benefits Received from Non-Clients for Providing Services to Clients.

SMCM does not presently receive certain research or other products or services from broker-dealers through soft-dollar arrangements. However, SMCM may receive certain research or other products or services from broker-dealers through soft-dollar arrangements. These soft-dollar arrangements create an incentive for SMCM to select or recommend broker-dealers based on SMCM's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by SMCM on behalf of its clients. Please see Item 12 for further information on SMCM's soft-dollar practices, including SMCM's procedures for addressing conflicts of interest that arise from such practices.

B. Compensation to Non-Supervised Persons for Client Referrals SMCM does not presently make cash payments to third-party solicitors for client referrals. However, in the future, SMCM may make cash payments to third-party solicitors for client referrals, provided that, to the extent required, each such solicitor has entered into a written agreement with SMCM pursuant to which the solicitor will provide each prospective client with a copy of SMCM's Form ADV Part 2, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and Adviser and any fees to be paid to the solicitor. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.

Item 15. Custody

This Item is not applicable.

Item 16. Investment Discretion

SMCM provides investment advisory services on a discretionary basis to clients. Please see Item 4 for a description of any limitations clients may place on SMCM's discretionary authority.

Prior to assuming full discretion in managing a client's assets, SMCM enters into an investment management agreement or other agreement that sets forth the scope of SMCM's discretion.

Unless otherwise instructed or directed by a discretionary client, SMCM has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. SMCM submits an allocation statement to the firm's trading desk describing the allocation of securities to (or from) client accounts for each trade/order submitted. SMCM may consider the following factors, among others, in allocating securities among clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is SMCM's policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead SMCM to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Allocations will be made among client accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when SMCM determines in its discretion that a pro rata allocation is not appropriate, which may include a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client's status as a restricted person under applicable regulations.

SMCM may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable SMCM to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades or trades for which SMCM or its affiliates are compensated as a broker unless client consent has been obtained based upon written disclosure to the client of the capacity in which SMCM or its affiliates will act. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA.

If it appears that a trade error has occurred, SMCM will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, SMCM's error correction procedure is to ensure that clients are treated fairly. SMCM has discretion to resolve a particular error in any appropriate manner that is consistent with



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at a client account incurs a trade error as a result of SMCM's error in the client's investment management agreement, such error is not foreseeable, in a manner such that the client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the client account.

Item 17. Voting Client Securities

SMCM does not have authority to vote client securities. Clients will receive their proxies or other solicitations directly from their custodian. Clients are asked not to contact SMCM with questions about a particular solicitation.

Item 18. Financial Information

This Item is not applicable.

Item 19. Requirements for State-Registered Advisers

This Item is not applicable.

Appendix: Item 2. Material Changes

This Item is not applicable.