

INVERNESS COUNSEL, LLC

845 Third Avenue

New York, NY 10022

(212) 207- 2122 (Telephone)

(212) 207- 2165 (Fax)

www.invernesscounsel.com

FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of Inverness Counsel, LLC. If you have any questions about this brochure, please contact us at (212) 207-2122. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or any state securities authority.

Additional information about Inverness Counsel, LLC is available on the SEC’s website at www.adviserinfo.sec.gov.

Inverness is a registered investment adviser. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

April 1, 2013

Table of Contents

Material Changes	4
Annual Update	4
Material Changes Since Last Update	4
Advisory Business	4
Firm Description	4
Principal Owners	4
Types of Advisory Services	5
Tailored Relationships	5
Client Assets	6
Fees and Compensation	6
Fee Schedule Description	6
Fee Billing	6
Other Fees	7
Performance-Based Fees & Side-by-Side Management	7
Types of Clients	7
Description	7
Account Minimum	8
Methods of Analysis, Investment Strategies and Risk of Loss	8
Methods of Analysis	8
Investment Strategies and Risk of Loss	8
Disciplinary Information	9
Legal and Disciplinary Information	9
Criminal or Civil Actions	9
Administrative Proceedings	10
Self-Regulatory Proceedings	10
Other Financial Industry Activities and Affiliations	10
Code of Ethics, Participation in Client Transactions and Personal Trading	10
Code of Ethics	10

Recommending Securities with Material Financial Interest	10
Investing in Same Securities Recommended to Clients	10
Brokerage Practices	11
Selecting Brokerage Firms.....	11
Research and Soft Dollars.....	12
Order Aggregation	13
Review of Accounts	13
Periodic Reviews	13
Review Triggers.....	14
Regular Reports	14
Client Referrals and Other Compensation.....	14
Economic Benefit	14
Third-Party Solicitors	14
Custody.....	15
Account Statements	15
Investment Discretion.....	16
Discretionary Authority for Trading.....	16
Limited Power of Authority.....	16
Voting Client Securities	16
Proxy Votes.....	16
Financial Information	17
Financial Condition.....	17

Material Changes

Annual Update

Inverness Counsel, LLC (“Inverness,” the “Company” or “we”) is providing this information as part of our annual updating amendment and it contains material changes from our last annual update, which we filed with the SEC as of March 20, 2012.

Material Changes since Last Update

The SEC adopted amendments to Part 2 of Form ADV, effective October 2010. The newly-revised Part 2 consists of Part 2A (the "Brochure") and Part 2B (the "Brochure Supplement"). Each update of the Brochure must include a summary of all material changes that have occurred since the last annual update.

This Brochure, dated April 1, 2013, sets forth below a summary of only those material changes that have occurred since our last annual update. Clients are urged to read this Brochure in its entirety.

Inverness has updated the investment advisory fee schedule pursuant to which it is compensated for its investment advisory services. The revised fee schedule can be found in the section of this Brochure titled “*Fees and Compensation*,” on page 6.

Advisory Business

Firm Description

Inverness is an independent investment counsel firm and investment adviser registered under the Investment Advisers Act of 1940, as amended (the “Act”). Inverness, a Delaware limited liability company, has been engaged in the investment counsel business since 1967. Our headquarters are located in New York City. We also have offices in Connecticut and Utah. The Company is primarily engaged in providing continuous investment advice to clients based on their individualized goals and circumstances. We provide our individual, family, trust, tax-exempt organization, pension and profit sharing plan, and institutional clients with the highest level of investment advisory services. Our principal goal is to achieve wealth enhancement for our clients over the long term.

Principal Owners

There are four owners of Inverness. Cromarty Management Corporation and ICI (New York) Holdings, LLC each beneficially owns over 25% of the outstanding membership interests of the Company. Philip S. Lawrence, President and CEO of Inverness, and David W. Laughlin, Vice Chairman of Inverness, each beneficially owns less than 25% of the outstanding membership interests of the Company.

Types of Advisory Services

Inverness provides its clients with a variety of investment advisory services on both discretionary and non-discretionary basis. The substantial majority of the Company's assets under management are managed on a discretionary basis. The services rendered by Inverness consist primarily of "investment supervisory services." This is defined under the Act to be providing continuous investment advice to (or making investments on behalf of) clients, based on the individual needs of each particular client. The advice and services that we provide are tailored to the financial objectives, financial circumstances, risk orientations and expectations of our clients.

Ongoing collaboration and communication are essential aspects of the services that Inverness provides in managing its client accounts. At the outset of a relationship with a client, Inverness will thoroughly discuss with the client (and often the client's family and legal and accounting advisors) the client's: overall financial goals and objectives, both long- and short-term; financial condition, including asset allocation and liquidity needs; investment experience and history; risk orientation; general and specific investment objectives; and any restrictions or limitations that the client may desire to impose on investing in certain securities or types of securities. In particular, the Company often works closely with its clients in the planning and execution of strategies designed to preserve family wealth and to provide for the inter-generational distribution of such wealth, including through trusts and other vehicles. Inverness manages accounts in a manner consistent with the foregoing information and strategies, including compliance with any restrictions or limitations imposed on investments. Importantly, during the period that Inverness manages a client's account, it closely monitors such account to ensure that such account continues to meet the previously discussed criteria and to make adjustments, when and as appropriate, to address evolving personal and financial situations, including any changes in risk tolerance and desired investment restrictions, and changing market conditions.

Inverness regularly provides investment advice to, and makes investments on behalf of, its clients with respect to public equity and debt securities. Inverness also recommends the use of alternative investments, which include hedge funds, private equity funds, real estate investments (including real estate investment trusts), and, to a lesser degree, options, warrants, limited partnership interest and securities of other unincorporated entities. The Company's general orientation is to purchase securities and hold them for significant periods.

Inverness also manages some accounts in a manner that does not constitute providing "investment supervisory services" if specifically requested by a client. This type of relationship tends to take the form of administrative and supervisory oversight and providing general advice.

Tailored Relationships

We strive to understand the specific financial and personal circumstances of our clients and to tailor our recommendations based on this information. Client relationships are customized based on the individualized objectives and risk profile of the client. Our goal is to provide the most effective and comprehensive advice and services to our clients.

Client Assets

As of December 31, 2012, Inverness managed client assets amounting to approximately \$2,181,431,771.89 on a discretionary basis and client assets amounting to approximately \$68,174,925.12 on a non-discretionary basis.

Fees and Compensation

Fee Schedule Description

Inverness is compensated for its investment advisory services by the payment of fees that generally are based on a percentage of the appraised value of a client's assets under management ("AUM").

Fees are calculated on the following basis:

- (1) 1.5% of the appraised value of the first one million dollars (\$1,000,000) of AUM, with a minimum annual fee of \$15,000;
- (2) 1% of the appraised value of the next nine million dollars (\$9,000,000) of AUM;
- (3) 0.75% of the appraised value of the next 10 million dollars of AUM; and
- (4) 0.5% of the appraised value of all AUM in excess of 20 million dollars.

The "appraised value" of the AUM on which the fees are calculated is the aggregate market value of the assets held in a client's account, utilizing the most recent pricing information available, determined as of the close of the last trading day immediately preceding the commencement of the billing period during which advisory services are to be provided.

The above investment advisory fee schedule may be adjusted through negotiations with clients to take into account special circumstances. Where the investment services provided by Inverness consists of essentially consultation services, the compensation payable is a negotiated fee.

Fee Billing

Investment advisory fees are payable quarterly, in advance. Fees are calculated based on Inverness's appraised valuation of the AUM, utilizing the most recent pricing information available, determined as of the close of the last trading day immediately preceding the commencement of the billing period during which advisory services are to be provided. Those assets for which there may not be a current market value are priced using the most recent available information. A client who terminates its relationship with Inverness prior to a quarter end will obtain a refund of any unearned fees. Any refund will be determined on a *pro rata* daily basis. The investment advisory agreements between Inverness and its clients provide that upon an "assignment" of such agreement by Inverness, the agreement becomes immediately terminable upon written notice given by either party. Clients

may either pay the fees owed directly to Inverness or instruct the custodial institution(s) that holds their assets to deduct the fees from the designated custodial account(s) and pay Inverness on their behalf.

Other Fees

The sole compensation received by Inverness for its investment advisory services is the investment advisory fees payable to it by its clients. Clients may, however, incur certain additional costs payable to third parties. For instance, our clients may be charged custodial fees by the institution maintaining custody of the clients' assets under management and may incur mutual fund expenses. Our clients also pay brokerage commissions and other transaction costs to the broker-dealers effecting transactions on their behalf. Please refer to the section of this Brochure titled "*Selecting Brokerage Firms*," on page 11.

In certain circumstances, Inverness may advise its clients to invest in money market funds, mutual funds, ETFs and/or investment limited partnerships (including, but not limited to, "hedge" and private equity funds). Clients whose assets are invested in money market funds, mutual funds, ETFs and/or investment limited partnerships may, directly or indirectly, pay an additional advisory fee charged by the managers of those investment vehicles. Thus, clients may, in such cases, pay a fee both to Inverness and an outside manager. The advisory fees paid to these types of entities vary considerably. Generally, money market fund fees are significantly lower than fees charged by managers of investment limited partnerships. The managers of certain types of investment partnerships may, at times, also be paid a percentage of any investment performance generated by such partnerships. The fees charged by managers of equity mutual funds generally are comparable to those charged by Inverness, but may be, at times, more.

The employees, managers and officers of Inverness do not accept compensation for the sale of securities or other investment products, including any asset-based charges or service fees from the sale of mutual funds.

Performance-Based Fees & Side-by-Side Management

This section is not applicable to the policies, procedures and practices of Inverness because Inverness does not presently charge or accept any performance-based fees.

Types of Clients

Description

Inverness provides investment advisory services to individuals, families, trusts, tax-exempt organizations, pension and profit sharing plans, and institutional clients.

Account Minimum

Inverness requires clients to have minimum AUM of \$1,000,000. Exceptions to the minimum account size may be made on a case-by-case basis.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Inverness engages in active management, utilizing fundamental securities analyses in formulating its investment advice and managing its clients' assets. Inverness is not exclusively committed to any particular investment strategy. Numerous analytical tools, including proprietary computer screening techniques and third-party research, are used and reviewed by Inverness's Investment Committee. Detailed analysis, including financial valuation models and written reports, are created for each potential investment. Each individual investment is judged on its own particular merits and on how it would contribute to the quantitative and qualitative aspects of the clients' portfolios. Although no two investments are completely alike, we emphasize such factors as the issuer's financial strength, the quality of its management, prevailing industry and market conditions and the investment's liquidity.

Investment Strategies and Risk of Loss

Our primary investment strategy is to identify and purchase high-quality investments and hold them over multi-year holding periods. However, short-term trading in securities may be appropriate under certain circumstances.

The exact structure and composition (including types and mix) of securities held for a client's account vary based primarily on the client's individual investment objectives, risk orientation and any investment restrictions. Investing in securities across various asset classes involves certain risks, including the loss of principal. The principal risks associated with our primary investment strategy include active management risk and securities specific risks.

Active Management Risk: Active investment managers rely largely on the individual manager's ability to formulate and implement an agreed upon investment strategy. The greater the divergence from a stated investment strategy, the more possibility there is of underperforming any relevant benchmark. In addition, if key personnel were to resign or otherwise leave the Company, subsequent managers may be unable to replicate prior investment results.

Fixed-Income Securities Risk: In addition to market risks, macro-economic factors and liquidity issues, the values of fixed income securities are primarily affected by changes in interest rates and credit quality. Typically, a general rise in interest rates causes the prices of debt securities to decline. Generally, the longer the maturity of a debt security, the more sensitive the security is to changes in interest rates. There is also the risk that an issuer of a debt security will not timely pay all or a portion of the interest and/or borrowed principal or that there is a perception that such will occur.

Equity Securities Risk: The values of equity investments are subject to issuer-specific financial conditions, operating results and prospects. A company's stock price can be negatively impacted by competitive developments, product demand or supply problems, litigation or various other circumstances. The prices of equity securities also fluctuate based on the overall condition of, and prospects for, the economy and the financial markets.

Alternative Investment Risk: Investments in hedge funds or other private limited partnerships may include security specific risks, including those mentioned above. In addition, those investments may include risks associated with the lack of liquidity, short selling, marketability and pricing risk. These investments may also employ leverage and have exposure to other unknown operational and counter-party risks. Some of these partnerships may use derivative instruments such as options, swaps, futures, structured securities or other instruments. Also, some of these investments may hold securities or instruments for which market quotations are not readily available. The valuation of such securities may be determined by the general partners of the partnership and independently verified by their administrators. Dispositions of such investments may take a lengthy time period or may result in distributions in kind to the limited partners. Many of these partnerships are not registered under the Investment Company Act of 1940 and, accordingly, investors do not have the protections afforded by such Act. There may be other structural and taxation issues which clients should consider and review as covered in the subscription documents.

The principal investment strategies pursued by Inverness are generally designed to minimize the risk of loss of capital. Inverness generally avoids strategies that involve significant or unusual risks. However, every investment involves risk of loss.

Inverness does not offer advice concerning investments in securities that are the subject of initial public offerings. If clients request to purchase securities in initial public offerings, Inverness will transmit the request and execute a purchase on their behalf, to the extent practicable.

Disciplinary Information

Legal and Disciplinary Information

Neither Inverness nor any of its management personnel or employees has been involved in any legal or disciplinary event that is material to an evaluation of its investment advisory business or the integrity of its management.

Criminal or Civil Actions

Neither Inverness nor any of its management personnel or employees has been involved in any criminal or civil action that is material to an evaluation of its investment advisory business or the integrity of its management.

Administrative Proceedings

Neither Inverness nor any of its management personnel or employees has been involved in any administrative proceeding that is material to an evaluation of its investment advisory business or the integrity of its management.

Self-Regulatory Proceedings

Neither Inverness nor any of its management personnel or employees has been involved in any self-regulatory proceeding that is material to an evaluation of its investment advisory business or the integrity of its management.

Other Financial Industry Activities and Affiliations

This section is not applicable to the policies, procedures, activities or practices of Inverness.

Code of Ethics, Participation in Client Transactions and Personal Trading

Code of Ethics

Inverness has adopted and maintains a Code of Ethics that sets forth specific legal and ethical requirements and restrictions that are designed to assure the highest standards of conduct by its employees. Inverness requires its employees to comply with all laws, rules and regulations applicable to its operations and business. All employees are responsible for reviewing the Code and acting in compliance with its policies in their daily activities. The Code covers all officers, managers and other employees of the Company who are involved in the development and dissemination of investment advice to clients. These persons are deemed “access persons” under the Code and the Act. The Code expressly provides that the interests of the client take clear precedence over the interests of the Company and its employees. All covered persons are prohibited from using information, including any material non-public information, in any way for their personal benefit to the detriment of any clients of Inverness.

Inverness will provide a copy of the Code of Ethics to any existing or prospective client upon request.

Recommending Securities with Material Financial Interest

Neither Inverness nor any of its employees, managers or officers is permitted to recommend to clients, or to buy or sell for client accounts, any securities in which any of them or any other related person has a material financial interest.

Investing in Same Securities Recommended to Clients

All employees of Inverness are directed to avoid investments in their personal accounts that could impair their ability to make disinterested investment judgements or recommendations to clients.

All employees are specifically prohibited from effecting transactions in securities that have been recommended our the Investment Committee, either for themselves or for accounts in which they have a beneficial interest, during a specified (15) fifteen-day period. All employees must wait until at least fifteen (15) days from the date of any recommendation by the Investment Committee to a client before effecting any such transaction.

All Company employees are required to report personal account activity on a regular basis and that activity is supervised and is subject to approval by our Chief Compliance Officer in order to ensure compliance. Upon discovery, any conflicts are promptly addressed by our Chief Compliance Officer and Chief Executive Officer. In such events, these officers determine the appropriate sanctions to be imposed on non-complying employees, which may include forfeiture of privileges and/or compensation, lack of promotion, demotion or even termination.

Employees may engage in transactions after fifteen (15) days have elapsed from the date of the recommendation to clients. It is possible that this may result in employees effecting transactions at the same time(s) as transactions for clients are being effected by Inverness. Please refer to the section of this Brochure titled “*Brokerage Practices*,” on page 11, for more information relating to order aggregation.

Inverness may encounter situations where it is appropriate for more than one account to purchase or sell a particular security at the same time(s) but the investment opportunity is limited. In those situations, Inverness employees will not be able to trade so as to afford clients the investment opportunity. Inverness allocates trading opportunities on a *pro rata* basis, based on the overall client demand, in order to satisfy its duty to make fair allocations.

Brokerage Practices

Selecting Brokerage Firms

Inverness’s investment advisory agreements typically specify whether Inverness or the client will be responsible for selecting the broker-dealer(s) to execute securities transactions. A client may specifically direct Inverness to execute the client’s trades through a particular broker-dealer. Certain consequences may arise with respect to such directed brokerage activities. Specifically, the client may not achieve best execution of its transactions and may incur higher brokerage costs. Commission rates charged by directed brokers are frequently higher than those negotiated by Inverness, principally by virtue of the volume of transactions effected by it. In directed brokerage situations, Inverness may not be able to negotiate lower commissions or aggregate orders in order to reduce transaction costs.

Inverness selects the broker-dealers and commission rates when a client does not specifically designate a broker-dealer for its account. Inverness makes such selections throughout the term of the client’s relationship, often selecting different broker-dealers for different transactions. Inverness considers the full range and quality of a broker-dealer’s services before engaging it, including its

execution capability, commission rates, financial responsibility, responsiveness and effectiveness in clearing and settling trades and the value of any research provided. Some larger client accounts may pay a lower rate than other accounts.

In selecting or recommending broker-dealers for or to its clients, neither the Company nor any of its related persons considers whether it would receive client referrals from any broker-dealer or other entity. Additionally, the Company does not use, or recommend to its clients, any broker-dealer of which the Company is a related person and neither the Company nor any of its related persons receives any direct or indirect compensation for referring any of the Company's clients to a particular broker-dealer(s).

Research and Soft Dollars

Inverness does not have any formal soft dollar agreements. However, it is possible that in recognition of the value of services provided to the Company by a particular broker-dealer, commissions may, from time to time, be more than what another broker-dealer might charge.

Inverness bases its decision to direct brokerage business on various factors. These principally include commission rates, execution and processing capabilities, information, general service and access to proprietary and third-party research or market opinions. As a result, clients may pay commissions to certain broker-dealers that are higher than if the trades were directed to broker-dealers that provided execution service only. Some of the services received by the Company in the last fiscal year consisted of oral and written output of research departments, access to field reports for industries and issuers, supporting statistical data, as well as seminars, meetings and forums sponsored by broker-dealers. To the extent that we use brokerage commissions to obtain research or other products and services, we receive a benefit because we do not have to separately generate or pay for such research, products or services. As a result, we may, from time to time, have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other services and products provided by such broker-dealer.

In general, Inverness negotiates commission rates that it believes are reasonable and competitive in comparison to industry standards. Inverness utilizes a qualified independent third party to review all of its broker-dealer activities and to provide it with comprehensive reports in order to evaluate and track best execution efforts. The Company's Investment Committee also meets periodically to review all "best execution" efforts, including approving broker-dealers and the commission rates being paid, and makes adjustments whenever appropriate in its continuing effort to achieve best execution for clients.

The research and other products or services provided by a broker-dealer for particular client accounts may, from time to time, be used to service other client accounts. To the extent practicable, we attempt to use the research and other products and services to benefit as many client accounts as is viable. Because of the nature of the services and products, and the fact that different client accounts have different objectives and asset classes, it is not feasible for us to allocate these benefits or the costs among client accounts proportionally. This difficulty is additionally attributable to the number

of securities transactions involved, the varying sizes of the different orders and the number of our accounts. Accordingly, a proportionate allocation of research and other benefits would be extremely difficult.

Order Aggregation

Inverness may aggregate (“bunch”) orders when purchasing or selling securities on behalf of two or more clients. The effect is that, to the extent practicable, all similarly situated clients receive the same purchase or sale price for trades placed at or about the same time. Inverness believes that its clients benefit from a more orderly execution of transactions because the transactions are being effected simultaneously. Also, as a result, no client is favored over another in terms of purchase or sale price.

Inverness allocates all investment opportunities among clients with similar investment profiles and demands on a *pro rata* basis. Circumstances in which we do not employ a *pro rata* allocation method are documented by our Chief Compliance Officer. Occasionally, Inverness may encounter situations where more than one managed account is interested in purchasing or selling the same security, but the investment opportunity is limited. As a fiduciary, Inverness has an obligation to allocate investment opportunities fairly. Thus, Inverness does not favor one account over another or delay in allocating investment opportunities among its client accounts. Inverness allocates these limited trading opportunities on a *pro rata* basis, based on the relative demands of the various eligible accounts, in order to satisfy its duty to make fair allocations.

Review of Accounts

Periodic Reviews

Our portfolio managers and members of the Inverness Investment Committee review all of our investment advisory accounts at least monthly. Each portfolio manager handles about fifteen (15) to twenty (20) client relationship groups. The reviews are carried out within the framework of the investment policies and restrictions established by the members of the Inverness Investment Committee at their weekly meetings. These policies and restrictions are adjusted to meet our clients’ objectives set forth in their respective investment advisory agreements.

The Inverness Investment Committee is composed of the following individuals:

Philip S. Lawrence
(President and CEO)

M.L. Graeme Campbell
(Senior Vice President)

David Laughlin
(Vice Chairman and Director)

Richard Chesterton
(Senior Vice President)

Robert B. Deans, III
(Senior Vice President and Director)

John Rochford
(Senior Vice President)

Henry P. Renard
(Executive Vice President)

Adrian Sancho
(Vice President)

Robert K. Maddock
(Senior Vice President)

Michael V. Crill
(Vice President)

Patrick Rulon-Miller
(Senior Vice President)

Natalie Williams
(Chief Compliance Officer)

Mary L.C. Flood
(Senior Vice President)

Review Triggers

Further reviews may be triggered by client communications and specific requests, changes in investment policies or changes in economic or financial conditions. The reviews may result in changes in the size and composition of an account's holdings.

Regular Reports

Clients are furnished with an account statement of their holdings, listing their assets under management, by mail on at least a quarterly basis or even more frequently if so requested by the client. Regular oral or written communications are supplemented by periodic meetings with clients. These meetings may also include accountants, attorneys or other advisors of the clients.

Client Referrals and Other Compensation

Economic Benefit

Inverness does not compensate any third parties for client referrals. At present, Inverness has not engaged any third-party solicitors.

Third-Party Solicitors

The so-called cash solicitation rule under the Act provides that an investment adviser required to be registered with the SEC is not permitted to pay any cash compensation to a solicitor for client

referrals unless the investment adviser complies with certain conditions. These conditions are that payment must be pursuant to a written agreement to which the adviser is a party and that clients of the investment adviser must be provided with certain disclosures intended to alert them that the solicitor is being compensated by the investment adviser for making such referrals. The cash solicitation rule is intended to address conflicts of interest inherent in certain solicitation arrangements.

In the event that Inverness engages in a third-party arrangement, we will require that each solicitor, at the time of any solicitation activities, provide our clients with a separate written disclosure that contains, among other items, the following:

- the name of the solicitor and the adviser;
- a description of the nature of the relationship between the solicitor and adviser;
- a statement that the solicitor will be compensated by the adviser; and
- the terms of the compensation arrangement.

Compensation for third-party solicitors would consist of a percentage of the fees received by Inverness from any solicited client during the period that the client remains a client of Inverness. The compensation payable to the third party would be from the fees paid to Inverness; accordingly, the compensation does not increase the fees charged to such clients by Inverness. There would be no difference in the fees payable by comparable solicited and non-solicited clients of the Company. Prior to receiving any fees from Inverness, the solicitor would have to provide a confirmation from the client that the client received both the solicitor's disclosure document and our Form ADV, Part 2A.

Custody

Account Statements

Inverness does not have physical custody of any client assets. However, clients may request and authorize Inverness to effect transfers or distributions of assets to third parties that extend beyond the mere direction provided to broker-dealers to execute transactions. In certain circumstances, Inverness may be deemed to have custody as a trustee. A client also may authorize Inverness to effect the purchase of securities against payment out of the client's account or the sale of securities out of such account against receipt of payment. In order to help ensure that client assets are secure from conversion or inappropriate use by its personnel, Inverness is subjected to an annual surprise custody examination by an independent third party. The examination verifies if Inverness is in compliance with the custody requirements set forth under the Act and its rules.

Inverness reasonably believes that the qualified custodians it has engaged send monthly account statements to its clients and that such statements identify the amount of funds and each security in the accounts at the end of each period and also set forth all transactions effected in the accounts during the period. In order to establish a reasonable belief that our clients are receiving account statements from the qualified custodian(s), Inverness receives duplicate copies of all such

account statements. Inverness performs reconciliations with each client custodian statement in order to ensure accuracy. Inverness urges its clients also to compare the Inverness account statements with the account statements for the same period received by them from the custodians.

Investment Discretion

Discretionary Authority for Trading

Inverness accepts discretionary authority to manage securities accounts on behalf of clients. In order to effect this, clients must grant a limited power of attorney to Inverness. This affords Inverness the authority to act on behalf of the clients to determine: (i) the types of securities to be bought or sold; (ii) the amounts of securities to be bought or sold; (iii) the broker-dealers to be used for order execution, and (iv) the commission rates (or mark-ups and mark-downs) to be paid.

Limited Power of Authority

The limitations on such grants of authority are determined by the specific portfolio policies and restrictions agreed to with the client and the policies of our Investment Committee. The amounts and types of any securities bought or sold are subject to these limitations. Significant consideration is given to the diversification and asset distribution of client accounts. Selection of investments and the determination of broker-dealers and commission rates are governed by the internal policies of Inverness, which are implemented by its Investment Committee. Clients may impose additional specified restrictions on the investment and other authority granted to Inverness if they so desire.

Voting Client Securities

Proxy Votes

Inverness has adopted proxy voting policies and procedures that cover the following actions relating to client proxies that may be taken by Inverness:

- voting of proxies with respect to securities owned by clients;
- identifying and resolving any conflicts of interest between clients and Inverness that may exist with respect to such voting;
- archiving of related records; and
- disclosing and producing records upon request.

Inverness obtains written general direction from the client before exercising the authority to vote any proxies. It is the policy of Inverness to identify and recommend actions to be taken for the benefit of the client if and when conflicts of interest arise. In the event of a conflict, clients may instruct Inverness, in writing, on how to vote their proxies. If such written direction is not obtained in a conflict situation, Inverness will not vote proxies on behalf of the clients. Inverness has, however, an obligation to forward proxy materials to clients who do not authorize it to vote their proxies.

Clients may obtain information as to how Inverness voted a proxy relating to their securities by contacting the Company directly.

A written copy of the proxy voting policies and procedures of Inverness are available by contacting us at (212) 207-2122.

Financial Information

Financial Condition

Because Inverness neither maintains custody of client funds or securities nor requires or solicits prepayment of fees amounting to more than \$1,200 per client for six months or more in advance, a balance sheet of Inverness is not required to be included herewith.

Inverness has never been in a precarious financial condition and has never filed a bankruptcy petition.