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**PART 2A OF FORM ADV: FIRM BROCHURE**

**LEVY, HARKINS & COMPANY, INCORPORATED**

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**Levy, Harkins & Company, Incorporated**  
**366 Madison Avenue, 14<sup>th</sup> Floor**  
**New York, NY 10017**  
**Telephone: (212) 888-3030**  
**Fax Number: (212) 888-7146**  
**<http://www.levyharkins.com>**

*This brochure provides information about the qualifications and business practices of Levy, Harkins & Company, Incorporated. If you have any questions about the contents of this brochure, please contact us at (212)888-3030. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Levy, Harkins & Company, Incorporated also is available on the SEC's website at [www.advisorsinfo.sec.gov](http://www.advisorsinfo.sec.gov).*

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

**1/19/2016**

## Item 2 Material Changes

Levy, Harkins & Company, Incorporated has amended this Part 2A effective January 2016. The company acts as executing broker for client advisory accounts and as such is subject to new disclosure rules about the use of sweep programs that enable investment in affiliated money market funds. To conform with disclosure made to clients that maintain brokerage accounts, this Part 2A now makes the disclosure in Part 5. C. and Item 12. A. that clients' assets may be invested in money market funds that are sponsored by an affiliate of the clearing broker, National Financial Services, LLC.

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#### Item 4 Advisory Business

##### A. Advisory Firm

Levy, Harkins & Company, Incorporated (“L&H”) is a Delaware corporation that has been in business since August 1979. L&H is both an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940, as amended, and a broker-dealer registered with the SEC under the Securities Exchange Act of 1934, as amended. The principal owners of L&H are Edwin Arnold Levy (Chairman) and Michael James Harkins (President).

##### B. Types of Advisory Services

- (1) Separately Managed Accounts. L&H provides discretionary investment advisory services to individuals, trusts, estates, charitable organizations and institutional investors, including pensions and profit sharing plans, corporations and other business entities (collectively, “Clients”). Client accounts are managed in accordance with specific Client requests, needs and objectives and pursuant to a written investment advisory agreement. Under that agreement, L&H is authorized to: (a) make all investment decisions, (b) buy, sell and otherwise trade in securities, (c) issue instructions to the custodian for the Client account for operational matters of the account, including, among other things, tender offers and reorganizations, and (d) to select broker-dealers (including L&H) to execute securities transactions. Instructions to the custodian include, but are not limited to, wire requests, check requests, address changes and authorizing the custodian to debit accounts for payment of advisory fees.

L&H requires a minimum of \$1,000,000 in assets under management for each Client relationship. However, L&H may waive the minimum amount as it may determine in its sole discretion.

- (2) Hedge Funds and Pooled Investment Vehicles. L&H does not provide investment advice to hedge funds and other pooled investment vehicles. However, Messrs. Levy and Harkins provide advisory services as the general partners of The Gracy Fund, L.P. (“The Gracy Fund”), a Delaware limited partnership. The minimum investment in The Gracy Fund is \$250,000. L&H may in the future form and provide investment advisory services to other pooled investment vehicles.

#### Types of Investments

L&H provides advice with respect to:

- Equity Securities - including exchange-listed securities, securities traded over-the-counter and foreign issuers;
- Warrants;

- Corporate Debt Securities - including Commercial Paper;
- Certificates of Deposit;
- Municipal Securities;
- Investment Company Securities - Mutual Fund Shares (excluding insurance products);
- U.S. Government Securities;
- Options Contracts on securities (excluding commodities);

C. Tailored Investment Advisory Services

L&H tailors its investment advice based on the individual needs of its Clients. Clients may impose restrictions on the types of investments, including (i) the types of securities L&H may invest in for each Client's account and (ii) a limitation on the amount or percentage of assets that may be invested in a particular asset class or type of investment. A prospective client may impose such restrictions when the investment adviser and client relationship is established or at any time that the client provides written notice to L&H in writing.

D. Wrap Fee Programs

L&H does not participate in wrap fee programs.

E. Assets Under Management

L&H has approximately \$214 million in client assets under management on a discretionary basis, as of December 31<sup>st</sup>, 2015.

## Item 5 Fees and Compensation

### A. Compensation – Fees

Clients with separately managed accounts advised by L&H pay management fees based on a percentage of the assets under management pursuant to a written investment advisory agreement, based upon the following current fee schedule:

- equity and balanced (i.e., equity and fixed income securities) accounts: 1.5% (0.375% quarterly) of assets under management; and
- fixed income accounts (taxable): 1.5% (0.375% quarterly) of assets under management.

Fees are negotiable for Client relationships with assets under management of \$7.5 million or more, and may be negotiable under other circumstances, at the sole discretion of L&H. Charitable institutions may be charged less, at the sole discretion of L&H.

The Gracy Fund pays an administrative fee to L & H of 0.25% of assets on a semiannual basis, as a reimbursement of expenses incurred by L&H on behalf of The Gracy Fund, and a performance fee computed and paid on the basis of a net increase in new worth of The Gracy fund, subject to certain limitations.

### B. Fees Deducted From Client Accounts

Clients and The Gracy Fund are billed by invoice sent either to the custodian each calendar quarter for the management fee, or directly to the Client. Payment is made by check to L&H or by automatic debiting of the Client's account with the custodian, at the Client's discretion.

### C. Other Fees or Expenses

Each Client and The Gracy Fund pay all of the trading, custodian and other related expenses for their accounts including: brokerage commissions, margin interest and other transaction, borrowing and custodial expenses. To the extent Client accounts and the Gracy Fund hold money market funds, other mutual funds and closed-end funds they will also indirectly pay the underlying fund fees.

Generally, L&H determines and executes trades for its Clients as introducing broker, using the execution services of National Financial Services, LLC. Depending on the size and number of Client accounts opened, this will usually result in a 75% discount off the retail commission rates charged by National Financial Services, LLC. Cash in client accounts is invested in money market funds, typically a fund managed by an affiliate of National Financial Services, LLC. However, if the Client was referred to L&H by another broker-dealer ( a "Referring Broker"), generally, L&H will execute trades for such Clients through such Referring Broker. Also, certain Clients direct L&H to use a specific broker-dealer which may be the Referring Broker. L&H will typically receive a portion of the commission paid to the Referring Broker for each

trade when it acts as broker. Generally, all Clients will pay higher commissions than charged by execution-only brokers. Please refer to Item 12 for more information on brokerage practices.



D. Prepayment of Fees.

The management fee is paid quarterly in arrears. If the agreement with a Client is terminated, the management fee will be pro-rated and charged for that quarter only up to the date of termination. Any unearned fees will not be billed to the Client. The administrative and performance fees for The Gracy Fund are also paid in arrears, and fees would be pro-rated and charged only for actual services in the event the services of Messrs. Levy and Harkins as General Partners were terminated.

E. No Compensation for Sale of Securities or Other Investment Products

Other than its activities as broker for Clients, neither L&H nor its supervised persons accept compensation for the sale of securities or other investment products.

#### Item 6 Performance-Based Fees and Side-By-Side Management

Please refer to Item 5 for information regarding management fees. L&H may charge a performance based fee for certain Client accounts, consistent with the requirements of the Investment Advisers Act.

Messrs. Levy and Harkins are the general partners of The Gracy Fund, which is not a client of L&H. Messrs. Levy and Harkins are jointly responsible for making all investment decisions for The Gracy Fund, and they are paid a performance-based fee for managing the investments of The Gracy Fund.

Performance fees create a potential incentive to favor the Clients who pay such fees, and The Gracy Fund. L&H reviews the portfolios and performance of Client accounts and The Gracy Fund at least monthly to ensure that investment opportunities are allocated fairly and equitably. Many Client accounts have similar investment goals and risk tolerance and portfolio characteristics. L&H makes investment decisions without regard to the fact that a performance fee pertains to a particular Client or group of Clients, or The Gracy Fund.

Item 7 Types of Clients

Please refer to Item 4 above for a description of types of Clients and account minimums.

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

### A. Methods of Analysis and Investment Strategies

L&H's method of analysis includes:

- Fundamental; and
- Technical

L&H uses fundamental analysis to determine if securities are undervalued in the financial markets. Such analysis normally takes into account, but is not limited to, reviewing and analyzing the book value of such companies, or the break-up value of the subsidiaries, affiliates or divisions of such companies, that L&H believes are substantially different from the current trading price of the company's common, preferred and other traded securities. L&H is most interested in securities with rapidly rising asset values underlying such securities, instead of relying solely on increased company earnings. L&H may use technical analysis to evaluate securities and trading markets.

The main source of L&H's information includes, among other things:

- financial newspapers and magazines;
- inspection of corporate activities;
- corporate press releases; and
- annual reports, prospectuses and other filings with the SEC.

L&H's investment strategies include, but are not limited to: taking long term positions (securities held over one year), short term positions (securities held less than one year), trading (securities sold within 30 days) and short sales (selling securities not owned at the time of purchase).

### B. Material Risks for each Significant Method of Analysis or Investment Strategies

Investing in securities and L&H's investment strategy and advice may result in a loss of some or all of a Client's assets under management with L&H. Clients should be able to bear such an economic loss of some or all of their investments.

L&H may engage in a wide range of investment and trading strategies for its Clients. Many of these strategies are sometimes referred to as "hedge" or "arbitrage" strategies, because they use short sales, futures and other derivatives in an effort to protect assets from losses due to general declines in international financial markets. No assurance can be given that L&H will employ hedging strategies for all or any part of its Client's assets. Furthermore, there can be no assurances that any hedging and arbitrage strategies used by L&H will be successful in avoiding losses, and hedged positions may perform worse than unhedged positions.

### C. Material Risk for Particular Types of Securities

**Stock Market Risk.** A Client's investment in securities and other investments may be affected by general economic conditions such as prevailing economic growth, inflation and interest rates. When economic growth slows, or interest or inflation rates increase, equity securities tend to decline in value. Such events could also cause companies to decrease the dividends they pay. If these events were to occur, the total return earned on and the value of a Client's investment could decline.

**Equity, Convertible and Preferred Securities.** Investments may include long and short positions in common stocks, preferred stocks and convertible securities of U.S. and foreign issuers, as well as, depositary receipts for foreign securities. Equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities. The market price of equity securities may be affected by general economic and market conditions, such as a broad decline in stock market prices, or by conditions affecting specific issuers, such as change in earnings forecasts. Depending on the relationship of the conversion price to the market value of the underlying securities or other factors, convertible securities and preferred shares may trade like equity securities. Moreover, L&H may select investments in equity, convertible and preferred securities without restriction as to market capitalization, including securities issued by smaller capitalization companies, including micro-cap companies.

**Options.** Investments may include options contracts, so-called "synthetic" options or other derivative instruments written by broker-dealers or other financial intermediaries. Options transactions may be effected on securities exchanges or in the over-the-counter market. When options are purchased over-the-counter, the Client bears the risk that the counterparty that wrote the option will be unable or unwilling to perform its obligations under the option contract. Such options may also be illiquid and, in such cases, L&H may have difficulty closing out the Client's position.

**Warrants.** Investments may include warrants, which are derivative instruments that permit, but do not obligate, the holder to purchase other securities over a specified period of time. Warrants do not carry with them any right to dividends or voting rights. A warrant ceases to have value if it is not exercised before its expiration date.

**Closed-End Funds.** Investments may include closed-end funds, which pay management fees to their investment advisers which therefore would be indirectly paid by Clients. Closed-end funds issue a fixed number of shares that typically trade on a stock exchange or over-the-counter at a premium or discount to their net asset value. Closed-end funds that trade at significant discounts may face proxy fights and other shareholder actions to open-end the funds and replace fund management, which can be costly and disruptive.

**Short Sales.** Investments may include short sales of securities that L&H believes possess volatility characteristics similar to those being hedged. L&H may use short sales for hedging purposes to limit Client exposure to market volatility and non-hedging purposes to profit from anticipated declines in prices of securities that in the view of L&H are overvalued. To effect a

short sale, L&H borrows a security from a brokerage firm, or other intermediary, for the Client's account to make delivery to the buyer. The Client then is obligated to replace the borrowed security by purchasing it at the market price at the time of replacement. The price at such time may be more or less than the price at which L&H sold the security from the Client's account. A short sale of a security involves the risk of an unlimited increase in the market price of the security, which could result in an inability to cover the short position and thus a theoretically unlimited loss. There can be no assurance that securities necessary to cover the short position will be available for purchase.

***Foreign Investments.*** Investments may include foreign or domestic debt and equity securities or related derivatives denominated in foreign currencies, issued by foreign issuers or traded outside of the United States. Such investments require consideration of certain risks typically not associated with investing in U.S. securities or property. Such risks include, among other things, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the United States or foreign governments, United States and foreign withholding taxes or limitations on the removal of funds or other assets. Securities markets outside the United States, while growing in volume, have for the most part substantially less volume than U.S. markets, and many securities traded on these foreign markets are less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, settlement of trades in some non-U.S. markets is slower, less systematic and more subject to failure than in U.S. markets.

To the extent that investments are made in emerging markets, the political, regulatory and economic risks inherent in investments in emerging markets' securities are significant and may differ in kind and degree from the risks presented by investments in the world's major securities markets. These risks may include greater price volatility, substantially less liquidity, controls on foreign investment and limitations on repatriation of invested capital.

***Derivatives.*** Investments may include derivatives. These are financial instruments that derive their performance from the performance of an underlying asset, index or interest rate. Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative. Derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in a derivative could have a large potential impact on the performance of a Client's account. A Client could experience losses if derivatives do not perform as anticipated, or are not correlated with the performance of other investments that they are used to hedge, or if the Client is unable to liquidate a position because of an illiquid secondary market. The market for many derivatives often is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives.

Item 9 Disciplinary Information

A. Criminal or Civil Proceedings (Domestic, Foreign, Military Court of Competent Jurisdiction)

None.

B. Administrative Proceeding (SEC, Federal/State Regulatory Agency, Foreign Financial Regulatory Agency)

None.

C. Self-Regulatory Organization (SRO) Proceeding

None.

Item 10 Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration Status

L&H is an SEC-registered broker-dealer and member in good standing with the Financial Industry Regulatory Authority (or FINRA). Messrs. Levy and Harkins are registered with FINRA as the principals of L&H.

B. Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser Registration Status

None.

C. Material Relationships or Arrangements

(1) Broker-Dealer, Municipal Securities Dealer, or Government Securities Dealer or Broker

None.

(2) Investment Company or other Pooled Investment Vehicle

See Item 4.

(3) Other Investment Adviser or Financial Planner

None.

(4) FCM, CPO, CTA

None.

(5) Banking or Thrift Institution

None.

(6) Accountant or Accounting Firm

None.

(7) Lawyer or Law Firm

None.

(8) Insurance Company or Agency



None.

(9) Pension Consultant

None.

(10) Real Estate Broker or Dealer

None.

(11) Sponsor or Syndicator of Limited Partnerships

None.

D. Material Conflicts of Interest Relating to Other Investment Advisers.

L&H does not recommend other investment advisers for its Clients.

## Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

### A. Code of Ethics

L&H is required by Section 204A of the Investment Advisers Act to take steps to prevent the misuse of material, non-public information and to ensure that the personal securities transactions of its personnel are not in conflict with the interests of L&H's clients. Rule 204A-1 requires L&H to adopt, maintain and enforce a code of ethics requiring all principals and employees ("Access Persons") to report holdings and securities transactions in covered securities to L&H's Chief Compliance Officer. An initial report of all covered securities holdings is made when a person first becomes an Access Person and annually thereafter. Access Persons must report monthly their securities transactions. You may request a copy of L&H's code of ethics from either Mr. Levy or Mr. Harkins: Levy, Harkins & Company, Incorporated, 366 Madison Avenue, 14<sup>th</sup> Floor, NY, NY 10017.

### B. Securities in which L&H or a Related Person Has a Material Financial Interest

L&H permits its principals and employees to invest for their own or related accounts in securities purchased for L&H's Clients, as well as in securities that are also investments made by Messrs. Levy and Harkins for The Gracy Fund.

Principals and employees of L&H may not act for their own or related accounts in anticipation of a research report or purchase or sell recommendation for a client or on the basis of material non-public information. All personal covered securities transactions by principals or employees are required to be reported to L&H's Chief Compliance Officer monthly.

Some Clients may have investment objectives or investment strategies similar to, or different from, those of other Clients, or the personal accounts of L&H principals, employees and affiliates. Moreover, the Clients may have investment objectives or investment strategies similar to, or different from, The Gracy Fund, which is advised directly by Messrs. Levy and Harkins as general partners of the Fund. L&H may give advice or take action with respect to some Clients that differs from the advice given with respect to other Clients or to The Gracy Fund, or the personal accounts of L&H principal, employees and affiliates.

L&H Clients may be introduced to pooled investment vehicles and limited partnerships (such as The Gracy Fund) for which L&H principals or employees (but not L&H itself) may act as the general partner. If a Client makes an investment or otherwise purchases securities in such entities, L&H will not receive any commission or advisory fee. A discretionary Client will not be invested in such entities advised by an L&H principal or employee (acting outside of his role at L&H ) without the prior written consent of the Client.

To the extent a particular investment is suitable for more than one Client (including L&H's principals, employees and affiliates, and The Gracy Fund advised by Messrs. Levy and Harkins), purchased securities will be allocated between or among clients pro rata based on assets under management or in some other manner that L&H determines is fair and equitable under the

circumstances to all Clients. Orders for securities transactions in Client accounts are generally placed through L&H as broker. Securities may be recommended, purchased or sold for Clients that L&H, The Gracy Fund or any of their principals, employees and affiliates may buy or sell. L&H (including Messrs. Levy and Harkins) will not permit such persons to effect transactions in the same securities in anticipation of transactions by Clients or before the Client accounts had the opportunity to make such transactions, as appropriate. Moreover, The Gracy Fund, L&H and their principals, employees and affiliates will not receive a more favorable execution price than those received by Clients for the same security on the same day.

C. Investing in Securities That L&H or A Related Person Recommends to Clients

Please refer to Item 11. B. above.

D. Conflicts of Interest Created by Contemporaneous Trading

Please refer to Item 11. B. above.

## Item 12 Brokerage Practices

### A. Selecting or Recommending Broker-Dealers for Client Transactions and Reasonableness of Broker-Dealers' Compensation

Pursuant to its standard agreement with Clients, L&H usually executes trades as broker for its Clients through its long standing relationship with National Financial Services, LLC. L&H believes that its use and reliance on National Financial Services, LLC. is appropriate for its Clients based on the services provided along with the capital and financial stability of the firm. Commission rates generally are L&H's standard commission rates in effect when trades are executed. However, commission rates may vary, and may be negotiated by the Client, depending on size of account, volume of transactions, relationship with L&H and other factors. Although L&H does not charge, and another executing broker may not charge the lowest commission rates, L&H believes overall that the commission rates charged are fair to Clients when taking into account such factors as total transaction price, frequency of trading in accounts, reliability, financial responsibility, skill in execution and research and other services.

L&H, as a broker-dealer that offers clients a Sweep Program option, is subject to recent amendments to the Financial Responsibility Rules adopted by the SEC. The Sweep Program enables client cash in L&H's advisory and brokerage accounts to be invested in money market funds. Certain money market funds in the Sweep Program may be sponsored by an affiliate of National Financial Services, LLC. The money market funds charge management fees, distribution fees and shareholder servicing fees, among other miscellaneous expenses. Because these fees might go to an affiliate of National Financial Services, LLC., the amendments to the Financial Responsibility Rules require disclosure by L&H, in its capacity as broker, to L&H's clients.

Because L&H generally charges commissions based on its standard non-discounted schedule and L&H generally does not negotiate commission rates with other executing Brokers, Clients may pay higher rates than those that might be obtained in other circumstances.

L&H will review at least annually the execution services and commission rates of National Financial Services, LLC. and other executing brokers that it may select. This review policy does not apply to Referring Brokers, or to Brokers that L&H has been directed to use by Clients.

Over-the-counter transactions in Client accounts will be entered through L&H's order room and executed through National Financial Services, LLC., Referring Brokers and other brokers and the Client will be charged a brokerage commission for such transactions. L&H acting as broker is authorized to execute over-the-counter transactions through market-makers and charge its standard commission on such transactions. Other investment advisers may enter such orders with market-makers in their investment advisory capacity and not generate a commission charge for such executions.

When acting as a registered broker-dealer, L&H may act as broker for the purchase or sale of an advisory Client's securities while also acting as agent for the contra-party if one of its brokerage (but not advisory) clients places an appropriate order. In such cases, L&H will receive commissions from both parties to the transaction and have a potentially conflicting division of loyalties and responsibilities regarding both parties. Consequently, L&H will either provide written notice or annotate its Client confirmation, to disclose that L&H acted as agent for both buyer and seller in the transaction. L&H will only execute such an agency cross transaction after written notice or confirmation and if the advisory Client does not object.

(1) Research and Other Soft Dollar Benefits. L&H may consider the value of the products and services described below, either provided by a broker or paid for by a broker (either by cash payments or by commissions) and provided by others (collectively, "Products and Services"). The use of commissions or "soft dollars" to pay for Products and Services will be limited to brokerage and research services that qualify for the safe harbor of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a safe harbor to an adviser exercising "investment discretion" over an account, and protects the adviser from federal and state claims for breach of fiduciary duty, including ERISA claims, solely because the adviser causes a client account to pay more than the lowest available commission for executing a securities transaction in return for brokerage or research services. The Products and Services L&H may consider in selecting a broker are as follows:

- *Brokerage:* Brokerage services may include clearing, order routing, custodial and settlement services and related incidental services.
- *Research, research products and research services:* Research may include, among other things, proprietary research on particular industries and companies, economic surveys and analyses, recommendations on specific securities and other products or services (e.g., raw market data and related data analysis services, trade analytics, conferences and seminars, meetings with corporate executives to obtain oral reports on their companies' performances, publications targeted to a narrow audience, software to analyze portfolios or otherwise assist in making investment decisions) that assist L&H in its advisory activities on behalf of Clients.

Research services provided by brokers are supplemental to L&H's research.

In exchange for the direction of commission dollars to certain brokers, soft dollar credits may be generated that may be used by L&H to pay for the Products and Services provided or paid for by such brokers. To the extent that the credits are generated or the Products and Services are obtained, L&H will be receiving a benefit by reason of the direction of commissions that L&H would otherwise have to pay for. Consequently, L&H may have an incentive to select brokers that provide L&H with Products and Services in exchange for L&H directing trades to those brokers. However L&H has not received any products or services from soft dollar credits within the last fiscal year.

Research services furnished or paid for by brokers through which L&H effects transactions for a particular account may be used by L&H in servicing its other advisory and brokerage accounts, and not all such services may be used for the benefit of the Client that pays the brokerage commissions which result in the receipt of the research services. L&H has no fixed internal brokerage allocation procedures designating specific percentages of commissions to particular brokerage firms. L&H does not seek to allocate soft dollar benefits to Client accounts proportionately to the soft dollar credits the accounts generate. Commissions paid to brokers providing research services may be higher than those charged by brokers not providing such services.

- (2) Brokerage for Client Referrals and Directed Brokerage. When a Client is referred to L&H by a Referring Broker, L&H will normally execute trades for that Client through the Referring Broker, unless the Client directs L&H otherwise. In such instance, L&H has an incentive to execute trades for that Client through the Referring Broker. Moreover, L&H may be specifically directed to use the Referring Broker by the Client. L&H generally monitors the execution of Referring Brokers, but it does not negotiate their commissions. Clients may direct L&H to execute trades with a specific broker, including a Referring Broker. The direction of brokerage transactions may result in higher commissions to the directing Client than might be obtained through use of another broker. Directed brokerage will, in certain circumstances, prevent L&H from aggregating such Clients' transactions with similar transaction of other Clients. In such cases, trades for Client directed accounts generally will be executed after trades for other accounts. Although L&H's objective will be to seek best price and execution for every Client transaction, there can be no assurance that the trades done through Referring Brokers or directed brokers will realize the same price or commission rate achieved for other Clients. Also, such brokers may provide L&H with Products and Services as discussed above.

B. Aggregation of Purchase or Sale of Securities.

In an effort to obtain best execution when it acts as broker, L&H has a policy of executing trades for its various Clients in a bunched fashion. All open orders in the same direction (e.g., buy or sell) in the same security and placed at the same time will generally be bunched for execution. The order in which the individual Client orders comprising a bunched order are filled is determined through the use of a rotating list designed to fulfill client orders in an ordered sequence (ie., alphabetical or numbered sequence). When a bunched order is not filled in full (which is more likely to occur in thinly-traded markets or rapidly moving markets), any unfilled orders may be canceled and new orders may be entered the following day at the same or similar price if trading conditions then allow. As a result of this process, Clients whose orders are bunched for execution receive the average price for the security on the day their orders are filled. When a Client's order is included in a bunched order, the Client is charged a commission computed as if its order had not been bunched, which generally is L&H's standard non-discounted rate.

Item 13 Review of Accounts

A. Frequency and Nature of Review of Client Accounts or Financial Plans

Messrs. Levy or Harkins review each Client account at least once each month.

B. Basis for Client Reviews Other Than A Periodic Review

Not applicable. L&H will review Client accounts on a periodic basis. In addition, L&H may/will review accounts in the event of a significant market event or change in Client circumstances.

C. Content and Frequency of Account Reports to Clients

Clients receive:

- Regular brokerage confirmations for all transactions from the executing broker sent at the time of each the transaction.
- Monthly statements each month in which there were securities transactions from the executing broker or custodian.
- Quarterly status reports that include details of all Client account holdings from L&H.

Item 14 Client Referrals and Other Compensation

A. Economic Benefits From Non-Client For Providing Client Services

L&H does not receive economic benefits from any third-party for providing investment advice or other advisory services to its Clients.

B. Compensation to Non-Supervised Persons for Client Referrals

Certain advisory Clients are referred by Referring Brokers (discussed in Item 12), other investment advisers, or individuals. L&H may agree to pay to such broker, investment adviser, or individual a percentage of L&H's advisory fee for such a Client so long as L&H renders advisory services to such Client. In each case, appropriate disclosure shall be made to each Client and an acknowledgment of the advisory referral agreement disclosing the fee sharing agreement shall be provided by each Client prior to or at the time the Client enters into the management agreement with L&H, pursuant to SEC Rule 206 (4)-3 under the Investment Advisors Act.



## Item 15 Custody

Client assets are held in custody at National Financial Services, LLC. for all Clients that use L&H as broker. Other Clients assets are maintained with Referring Brokers or other qualified custodians. See Item 13(C) for information provided to Clients. Clients should carefully review all account statements, whether provided by L&H or another broker-dealer, bank or other financial institution. Some Clients may receive account statements from both L&H and another financial institution that holds such Client's assets. Clients should compare the information provided on any account statements provided by L&H and such other financial institution. In addition, L&H may be deemed to have custody of the assets of Client where it has the authority to debit Client accounts for its fee.

L&H is considered to have custody of the assets of The Gracy Fund through Messrs. Levy and Harkins role as general partners of the fund. As permitted under Rule 206(4)-2, The Gracy Fund is audited annually by a public accounting firm and copies of the annual audited financial statements are provided to each investor in the fund.

#### Item 16 Investment Discretion

L&H generally negotiates and enters into investment advisory agreements with Clients that permit the exercise of discretionary authority over the management of Client assets. Each Client with a separately managed account for which L&H exercises discretionary authority would execute a power of attorney in favor of L&H permitting the firm to: (i) make all investment decisions; (ii) buy, sell, exchange, convert and otherwise trade in any securities; (iii) select Brokers, typically L&H, to execute securities transactions and (iv) vote proxies for securities in the Client's account. Messrs. Levy and Harkins have similar discretionary authority over the management of The Gracy Fund.

## Item 17 Voting Client Securities

### A. Policies and Procedures Relating to Voting Client Securities

L&H's policy is to vote proxies in a manner best calculated to maximize the value of Client assets. L&H generally invests in securities of companies in which L&H believes have effective management, and L&H generally will sell securities when it loses confidence in management. Accordingly, L&H will most often vote with management's recommendations. However L&H generally opposes proposals that attempt to shield management from market discipline or otherwise entrench management, except when a different position may be warranted (e.g., to defend against a hostile takeover intended to break up a company). Absent exceptional circumstances, L&H votes for routine corporate governance proposals (e.g., stock splits, stock repurchase plans, etc.).

L&H takes a flexible approach to compensation issues, generally favoring those that tie management compensation closely to long-term stock performance rather than shorter-term measures such as earnings per share, and opposing proposals that result in over-concentration of equity in senior management hands. Mergers, acquisitions and other significant transactions are considered on a case-by-case basis, with an emphasis on maximizing value for L&H's Clients.

Generally, L&H votes for election of directors and the appointment of independent auditors at regular annual meetings. However, recognizing the increasing need for accountability by directors, L&H will not, absent unusual circumstances, vote for directors who sit on the boards of more than five (5) public companies or in favor of proposals that increase board size beyond 15 directors.

### B. Authority to Vote Client Securities and Client Receipt of Proxies

L&H usually votes proxies for Clients pursuant to its standard agreement with Clients. L&H also votes proxies on behalf of The Gracy Fund. Clients are entitled to receive a record of how L&H voted proxies for securities held in their accounts, by sending a written request to: Mr. Levy or Mr. Harkins: Levy, Harkins & Company, Incorporated, 366 Madison Avenue, 14<sup>th</sup> Floor, NY, NY 10017.

Item 18 Financial Information

A. Balance Sheet

Not applicable.

B. Financial Conditions Likely to Impair Ability to Meet Contractual Commitments to Clients

L&H does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.

C. Bankruptcy Filings

Not applicable.