

Zazove Associates LLC  
Firm Brochure  
Part 2A of Form ADV  
March 10, 2021

1001 Tahoe Blvd.  
Incline Village, NV 89451

520 Lake Cook Rd., Suite 178  
Deerfield, IL 60015

Contact Information:  
Steven M. Kleiman  
Executive Partner  
Telephone: 847.239.7100  
Fax: 847.239.7101  
E-Mail: [skleiman@zazove.com](mailto:skleiman@zazove.com)  
[www.zazove.com](http://www.zazove.com)

**This brochure provides information about the qualifications and business practices of Zazove Associates LLC. If you have any questions about the contents of this brochure, please contact Steve Kleiman at 847.239.7100; [skleiman@zazove.com](mailto:skleiman@zazove.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Zazove Associates LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Material Changes**

There have been no material changes to the firm's operations or investment strategies since Advisor's last annual update on Part 2A of Form ADV on March 12, 2020.

## Table of Contents

Cover Page .....	(i)
Material Changes from Last Annual Update .....	(ii)
Advisory Business .....	1
Fees and Compensation .....	1
Performance Based Fees and Side-By-Side Management .....	2
Types of Clients .....	2
Method of Analysis, Investment Strategies and Risk of Loss .....	2
I. Zazove Convertible Strategy .....	3
• Investment Grade Program .....	3
• Blend Program .....	3
• Zazove Convertible Securities Fund, Inc. ....	4
• Global Program .....	4
• Aggressive Growth Program .....	4
II. Zazove Alternative Credit Convertible Strategy .....	5
III. Zazove Convertible Arbitrage Strategy .....	5
Disciplinary Information .....	6
Other Financial Industry Activities and Affiliations .....	6
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ...	6
Brokerage Practices .....	7
Review of Accounts .....	9
Client Referrals and Compensation .....	9
Custody .....	9
Investment Discretion .....	10
Voting of Client Securities .....	10

**Advisory Business**

Zazove Associates, L.L.C. (the "Advisor") applies its proprietary investment strategies in managing client portfolios. Gene T. Pretti holds the majority interest in the firm through his ownership of Zazove Associates, Inc., which was organized in 1989 to acquire Dr. Earl Zazove's investment management business that he began in 1971. Zazove Associates, Inc. is the managing member and controlling equity holder of Advisor. Advisor manages its client's portfolios on a discretionary basis. Advisor does not provide continuous advice to clients on the basis of their individual needs. Rather, Advisor consistently applies its investment strategies in managing client portfolios. Clients may, under certain circumstances, impose restrictions on investing in certain securities or types of securities.

Advisor does not participate in wrap fee programs.

As of December 31, 2020, Advisor had regulatory assets under management of \$2.29 billion on a discretionary basis. Advisor does not manage assets on a non-discretionary basis. The Firm's estimated regulatory assets under management as of February 28, 2021 was \$2.46 billion.

**Fees and Compensation**

Advisor's rate for its management fees range from a marginal annual rate of 1.00% to .50% depending on the investment vehicle (separate account vs. investment fund), the investment program, and the assets managed for the client and its affiliates. Under certain circumstances fees may be negotiable, including structuring a performance fee, which would have a lower fixed fee. Lower fees for comparable services may be available from other sources.

Management fees are typically billed in advance on a quarterly basis. Upon the client's election and instruction, management fees may be paid directly from the client's custodial account. If a withdrawal of capital is made during a quarter, the unearned portion of pre-paid fees is determined (based on the number of days remaining in the quarter after the withdrawal) and such amount is either promptly refunded (in the case of an account termination) or applied as a credit in the subsequent quarter (in the case of a partial withdrawal).

The client will also bear all expenses related to its investment and trading activities, including brokerage commissions, "bid-asked" spreads, other transactional charges, custodial and clearing fees and withholding taxes, if applicable. See "Brokerage Practices" below.

Neither Advisor nor any of its employees receive any compensation from third parties for the sale of securities or other investment products.

### **Performance Based Fees and Side-By-Side Management**

Advisor may accept a performance based fee with regard to a separately managed account and also may receive a performance based fee or profit allocation in connection with its management of certain investment funds. As a result of Advisor's compensation depending, in part, upon the generation of profits, these compensation arrangements may create an incentive for Advisor to recommend investments that are riskier or more speculative than would be the case if Advisor's compensation was determined on some other basis. In addition, as a result of having certain accounts with performance based compensation structures, Advisor may have a financial incentive to favor certain accounts over other accounts. Advisor intends to treat all accounts in a fair, reasonable, and equitable manner and has policies and procedures in place to ensure that no account is favored over any other account in the allocation of investment opportunities.

### **Types of Clients**

Advisor manages portfolios for a wide variety of clients, including insurance companies, pension plans, foundations, trusts and private investment funds. The minimum investment for a separately managed account is generally \$5,000,000 and for an investment fund is generally \$500,000 - \$1,000,000 depending on the fund. Advisor also acts as the investment advisor to a registered investment company that is privately placed with a minimum initial investment of \$50,000. See "Zazove Convertible Securities Fund, Inc." below.

### **Method of Analysis, Investment Strategies and Risk of Loss**

Advisor manages its client's portfolios on a discretionary basis per various investment strategies described below. Advisor utilizes convertible securities in implementing its investment strategies. Convertible securities include convertible bonds, convertible preferred stocks, warrants, options and similar instruments that may be exchanged at the holder's option into a fixed number of the issuer's (or another party's) shares of common stock.

All investments in securities involve a risk of loss, and no guaranty or representation can be made that Advisor's portfolio management services will result in profits or that capital invested will not be lost. Capital could be lost as a result of errors in judgment by Advisor. Advisor's investment strategies involve significant risks, including the following:

- The value of a convertible security includes an option component not present in non-convertible securities. In addition, convertible securities often have complex conversion, call and other material business terms. Due to such complexities, Advisor may not accurately identify under-valued convertible securities.
- Advisor's strategies generally allow for the acquisition of convertible securities with less than investment grade credit ratings. The value of these securities tends to be more volatile than that of convertible securities with investment grade credit ratings.

- Advisor's strategies generally allow for the acquisition of convertible securities of non U.S. issuers, which could result in (i) currency exchange risk; (ii) the possible imposition of withholding, income or excise taxes; and (iii) the risk that the value of the portfolio's non-U.S. investments are drastically affected by economic and political developments in the country of issuance.

#### I. ZAZOVE CONVERTIBLE STRATEGY

This investment strategy has been in place since Dr. Earl Zazove founded E. Zazove and Associates in 1971, the firm's predecessor. Advisor utilizes a proprietary valuation model to analyze convertible securities. The management process is anchored by the valuation model, which seeks to identify statistically undervalued convertible securities with attractive risk/reward characteristics. A convertible security generally offers a fixed coupon payment and maturity date. As a result, a convertible security generally has the higher yield and stability typical of corporate bonds. Unlike a bond, however, the security's conversion feature may allow the holder to share in the capital appreciation potential of the underlying common stock.

The Zazove Convertible Strategy is utilized by Advisor in managing portfolios under the following investment programs:

INVESTMENT GRADE PROGRAM - manages a diversified portfolio of convertible securities by applying the Zazove Convertible Strategy. The portfolios in this program consist of assets invested primarily in securities of United States issuers. The portfolios are subject to restrictions regarding the credit quality of the securities in the portfolios (the portfolios must generally maintain an investment grade average credit rating but allow limited purchases of BB rated securities). The portfolios in this program are not leveraged. An investor may have assets managed under the INVESTMENT GRADE PROGRAM through a separately managed account, which generally requires a minimum investment of \$5,000,000.

BLEND PROGRAM - manages a diversified portfolio of convertible securities by applying the Zazove Convertible Strategy. The portfolios in this program consist of assets invested primarily in securities of United States issuers. The portfolios are subject to restrictions regarding the credit quality of the securities in the portfolios (the portfolios must generally maintain an investment grade average credit rating, but allow purchases of securities rated less than investment grade including securities rated less than BB). The portfolios in this program are not leveraged. An investor may have assets managed under the BLEND PROGRAM through a separately managed account, which generally requires a minimum investment of \$5,000,000 or by an investment in the Zazove Investment Grade Blend Convertible Fund, L.P., which is limited to certain institutional investors and requires a minimum investment of \$1,000,000. Prior to October 2015, this Fund was called the Zazove Institutional Investment Grade Convertible Fund, L.P. and implemented the Investment Grade Program described in the previous paragraph. Non-US investors and US tax exempt investors may have assets managed under this strategy by investing in Class B Shares of the Zazove Offshore Feeder Fund, Ltd.

ZAZOVE CONVERTIBLE SECURITIES FUND, INC. - The Zazove Convertible Securities Fund, Inc., a Maryland corporation, offers common stock to investors through private placement. The Fund is governed by its Articles of Incorporation and By-Laws. The Fund is registered with the Securities and Exchange Commission under the Investment Company Act of 1940 as a diversified management investment company that operates as a closed-end interval fund. The Fund seeks to achieve the long-term returns associated with stock portfolios with reduced volatility. The portfolio consists of assets invested primarily in securities of United States issuers and is subject to restrictions regarding the credit quality of its securities. In general, the core portfolio (approximately 80% of securities that may carry a credit rating) seeks to maintain an investment grade average credit rating, while the balance of the portfolio is not subject to restrictions with regard to credit quality. The Fund is also authorized to invest in other financial securities such as common stocks, preferred stocks, bonds, notes, swaps and other derivatives. The portfolio is not leveraged to a significant degree (generally less than 15%, although such percentage could be higher).

An investment in the Zazove Convertible Securities Fund, Inc. generally requires a minimum investment of \$50,000. An investor that invests in the Zazove Convertible Securities Fund, Inc. will not be directly subject to a management fee. Rather, the management fee will be an expense of the Fund.

GLOBAL PROGRAM - manages a diversified portfolio of convertible securities by applying the Zazove Convertible Strategy. The portfolios in this program consist of assets invested primarily in securities of non-United States issuers. The portfolios are not subject to restrictions regarding the credit quality of the securities in the portfolios. The portfolios in this program are not leveraged to a significant degree (generally less than 15%, although such percentage could be higher). The GLOBAL PROGRAM is offered to Domestic US taxable investors by investing in the Zazove Global Convertible Fund, L.P., which requires a \$500,000 minimum investment. Non-US investors and US tax exempt investors may have assets managed under this strategy by investing in Class G Shares of the Zazove Offshore Feeder Fund, Ltd. An investor that invests in these funds will not be directly subject to a management fee. Rather, the management fees will be an expense of the fund. An investor may also have assets managed under the ZAZOVE GLOBAL PROGRAM through a separately managed account, which generally requires a minimum investment of \$10 million.

AGGRESSIVE GROWTH PROGRAM - manages a diversified portfolio of convertible securities, equities and other securities. The portfolios in this program generally consist of securities issued by companies with smaller market capitalization and lower credit ratings and equities of small cap companies. In addition, the portfolios are not subject to restrictions regarding the credit quality of the securities. The portfolios are leveraged to a significant degree (generally \$1.50 - \$2.00 of positions for each \$1.00 of capital, although such ratio could be higher). Investors may have assets managed under this strategy by

investing in the Zazove Aggressive Growth Fund, L.P., which requires a \$500,000 minimum investment. An investor that invests in this fund will not be directly subject to a management fee. Rather, the management fees will be an expense of the fund. An investor may also have assets managed under the ZAZOVE AGGRESSIVE GROWTH PROGRAM through a separately managed account, which generally requires a minimum investment of \$10 million.

## II. ZAZOVE ALTERNATIVE CREDIT CONVERTIBLE STRATEGY

This strategy seeks to produce total returns that are higher than that of a traditional high yield bond portfolio with a lower correlation to other traditional and non-traditional investments. The investment objective is pursued by constructing and managing a diversified portfolio that consists primarily of so called “busted” convertible securities (i.e., the option feature has little value due to significant declines in the underlying equity since original issuance). The convertible securities held by the portfolios will generally be issued by companies with less than investment grade credit ratings. The portfolios in this program are not leveraged to a significant degree (generally less than 15% although such percentage could be higher). The portfolios will seek to offer a yield advantage as compared to similarly rated non-convertible debt investments with significant capital appreciation potential. Investors may have assets managed under this strategy by investing in the Zazove High Yield Convertible Securities Fund, L.P., which requires a \$500,000 minimum investment. Non-US investors and US tax exempt investors may have assets managed under this strategy by investing in Class HY Shares of the Zazove Offshore Feeder Fund, Ltd. An investor may also have assets managed under the ZAZOVE ALTERNATIVE CREDIT CONVERTIBLE PROGRAM through a separately managed account, which generally requires a minimum investment of \$10 million.

## III. ZAZOVE CONVERTIBLE ARBITRAGE STRATEGY

Advisor managed portfolios under its convertible arbitrage strategy from 1994 –2013. Advisor ceased its convertible arbitrage strategy as of December 31, 2013. Advisor reopened its convertible arbitrage strategy in January 2019. The strategy seeks to achieve current income and capital appreciation with relatively low volatility. The objective is pursued through a leveraged (generally up to \$2.00 of positions for each \$1.00 of capital although such ratio could be higher or lower) portfolio of convertible securities and offsetting hedged positions that may consist of short sales, warrants, options or other neutrally hedged financial instruments. The strategy focuses on domestic and global convertible arbitrage opportunities. Investors may have assets managed under this strategy by investing in the Zazove Hedged Convertible Fund, L.P. An investment in this strategy requires a \$1,000,000 minimum investment. An investor that invests in the Fund will not be directly subject to a management fee. Non-US investors and US tax exempt investors may have assets managed under this strategy by investing in Class H Shares of the Zazove Offshore Feeder Fund, Ltd. Rather, the management fees will be a Fund expense. An investor may also have assets managed under the ZAZOVE CONVERTIBLE ARBITRAGE PROGRAM through a separately managed account, which generally requires a minimum investment of \$25 million.



**Disciplinary Information**

Neither Advisor nor any of its employees have been the subject of any legal or disciplinary events that are material to the evaluation of Advisor's advisory business or the integrity of Advisor's management.

**Other Financial Industry Activities and Affiliations**

Advisor's portfolio management services include managing portfolios for the following privately placed investment funds that are discussed above (See "Method of Analysis, Investment Strategies and Risk of Loss"):

- Zazove Convertible Securities Fund, Inc., a Maryland Corporation
- Zazove Investment Grade Blend Convertible Fund, L.P., a Delaware limited partnership
- Zazove Global Convertible Fund, L.P., a Delaware limited partnership
- Zazove Global Convertible Master Fund, L.P., a Cayman Islands exempted limited partnership
- Zazove Offshore Feeder Fund, Ltd., a Cayman Islands exempted company
- Zazove Aggressive Growth Fund, L.P., a Cayman Islands exempted limited partnership
- Zazove High Yield Convertible Securities Fund, L.P., a Cayman Islands exempted limited partnership
- Zazove Hedged Convertible Fund, L.P., a Cayman Islands exempted limited partnership

Certain of these funds include an incentive allocation (Advisor is entitled to a share of fund profits in its capacity as general partner) or performance based fees. As a result, Advisor may have a financial incentive to favor certain funds over other accounts that Advisor manages that do not have performance based compensation. Advisor intends to treat all of its accounts, including the accounts managed for the investment funds, in a fair, reasonable, and equitable manner and has policies and procedures in place to ensure that no account is favored over any other account in the allocation of investment opportunity.

**Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Advisor has adopted a Code of Ethics as required by SEC Rule 204A-1 that establishes standards of conduct for its employees. The Code of Ethics is based on the principle that Advisor and its employees have a fiduciary duty to conduct their affairs in a manner that serves the clients interests ahead of their own.

The Code of Ethics requires, among other things, the pre-clearance of personal securities transactions by all employees and establishes detailed record keeping requirements. With regard to personal securities trades, the Code of Ethics adopts the following principles:

- The interests of client accounts will always be placed first;
- All personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and
- Employees must not take advantage of their position.

An employee may seek pre-clearance to buy or sell a security for his or her personal account at or about the same time that Advisor buys or sells the security for a client's

account. Any such transaction will be closely reviewed to ensure that the client's interest is placed first and will only be approved upon a good faith determination that such purchase or sale will not have a material adverse affect on any investment advisory client. Depending on the facts and circumstances in place at the time, the requested pre-clearance may be denied, approved pending the execution of the client transaction, or approved as part of a block trade including the client transaction. All records regarding personal securities transactions are retained by Advisor and reviewed on a regular basis by Advisor's Chief Compliance Officer. Advisor will provide a prospect or client with a copy of Advisor's Code of Ethics upon their request.

Advisor has a material financial interest and acts as general partner in various investment partnerships discussed above. Advisor also acts as investment advisor to an offshore investment fund that invest in the investment partnerships. In addition, Advisor acts as the investment advisor to Zazove Convertible Securities Fund, Inc., which is a privately placed investment fund that is registered as a closed-end interval fund under the Investment Company Act of 1940, as amended. Advisor often recommends that prospects invest in these funds, which results in a conflict in interest since Advisor receives management fees and/or performance based fees and allocations in its capacity as general partner or investment advisor. These fees and allocations were not negotiated at arm's-length. Advisor discloses its relationship with these funds prior to a prospect's investment.

Performance based fees and incentive allocations compensate Advisor on the profits of the fund and may create an incentive to make riskier or more speculative investments to generate profits than would be the case if Advisor were not receiving performance-based compensation. In addition, having an economic interest in the investment funds and having performance based compensation can create an economic incentive to favor certain funds over other managed accounts with regard to investment opportunities, but Advisor intends to treat all accounts (including the investment funds) in a fair, reasonable, and equitable manner.

### **Brokerage Practices**

Unless otherwise instructed by the client, Advisor has full discretion to place orders for the execution of transactions through such brokers or dealers (referred to collectively as "Brokers") as Advisor may select. In selecting Brokers to execute transactions, Advisor will seek the best overall terms available. In assessing the best overall terms available for any transaction, Advisor will consider such factors as it deems relevant, including, the breadth of the market in the security, the price of the security, the reliability, financial condition and execution capability of the Broker, brokerage and research services, reasonableness of the commission and other factors. Accordingly, transactions will not always be executed at the lowest available commission.

Advisor may execute brokerage transactions through Brokers who also provide Advisor with "brokerage and research services," as defined in section 28(e)(3) of the Securities Exchange Act of 1934. Commission paid to such Brokers may be in excess of the amount of commission another Broker would charge for the same transaction. Before effecting any such transaction, Advisor will determine in good faith that the amount of

such commission is reasonable in relation to the value of the brokerage and research services provided by such Broker, viewed in terms of both that particular transaction and Advisor's overall responsibilities to all of its clients. The brokerage and research services will consist of a wide variety of information useful to Advisor and to all or some of Advisors' clients. Brokerage and research services may include, among other things, post trade matching services; research reports on companies, industries or securities; economic and financial data; stock quotations; portfolio analysis software; financial or economic publications not targeted to a wide audience; and related services.

Brokerage and research services furnished by Brokers may benefit all or only some of Advisor's clients and may be used in connection with accounts other than those that have paid commissions to the Brokers providing such services. Purchasing brokerage and research services with client brokerage commissions provides a benefit to Advisor who does not have to produce or pay for the research, products or services. As a result, Advisor may have an incentive to select a Broker based on its interest in receiving brokerage and research services, rather than on the client's interest in receiving most favorable execution.

Advisor has a Soft Dollar Committee to implement its policies and procedures with regard to purchasing items with client commissions. The Soft Dollar Committee approves an annual budget and any items that may be paid for with client commissions. The Soft Dollar Committee will also determine whether an approved item will be used for both brokerage or research as defined in Section 28(e)(3) of the Securities Exchange Act of 1934 and for other purposes, such as administration or marketing. The Soft Dollar Committee will make a good faith effort to apportion the cost of the item between a qualified brokerage or research service and other purposes. The portion attributable to brokerage or research may be paid through client brokerage commissions. The portion attributable to other purposes will be paid by Advisor.

Advisor generally does not allow clients to direct brokerage. In the event that a client directs Advisor to use a particular Broker in executing its transactions, there can be no assurance that the most favorable price or execution will be achieved when compared to non-directed brokerage transactions.

Advisor may engage in the practice of placing aggregate orders for the purchase or sale of securities on behalf of its clients. It is often the case that a larger principal transaction can be executed at a more favorable price than multiple smaller orders. In addition, larger broker transactions may often be executed at lower commission costs on a per-dollar basis than multiple small orders. In all cases in which an aggregate order to purchase or sell securities is placed by Advisor, each account that participates in the aggregated order will participate at the average price and all transactions costs will be shared on a pro-rata basis. Advisor will act in good faith in the allocation of aggregated orders such that no account is favored over any other account.

Advisor may enter into "cross trades", which are the purchase and sale of securities between accounts managed by Advisor, when Advisor believes such transactions are

appropriate and in the best interests of the accounts; provided that an ERISA account may not participate in a “cross trade”. Any incremental costs and expenses associated with any such purchase or sale will be borne by the accounts on a proportional basis. However as a general matter, an account that instructs Advisor to sell a specific security or a terminating account that is selling positions per the account's liquidation instruction that participate in a cross trade will receive the bid side of the market as determined in good faith by Advisor.

Advisor may occasionally have the opportunity to participate in an initial public offering (IPO) of a company's shares of common stock at the initial offering price as well as initial offerings of convertible securities that may be attractive solely as a candidate for a short term speculative trade. It may often be the case that demand for such offerings is strong and, as a result, trading will occur at a significant premium over the initial offering price. In allocating such trades among its managed accounts, Advisor will not make an allocation to an account that generally should not purchase common stock or enter into speculative trades per its investment strategy. As a result, such trades will generally only be allocated to portfolios managed, in whole or in part, under Advisor's Aggressive Growth and Convertible Arbitrage investment programs.

### **Review of Accounts**

Gene T. Pretti (Chief Executive Officer and Chief Investment Officer) oversees the portfolio management functions of Advisor. Mr. Pretti is assisted by investment professionals including portfolio managers that have delineated responsibilities in managing each of Advisor's investment strategies and a team of investment analysts. The Zazove team of investment professionals monitors, on a daily basis, the securities that make up Advisor's managed investment portfolios. Portfolios are managed with the goal of including positions with the most favorable risk/reward profile within the context of the portfolio's investment strategy and guidelines. The Zazove team monitors securities that are not currently held in a managed portfolio to determine whether any such securities would be an attractive addition to the portfolio.

Clients that have a managed account, as opposed to an investment in an investment fund, receive a monthly report from Advisor that includes (i) a performance summary, (ii) an inventory of the account assets, and (iii) such additional information as requested by the client (e.g., purchase and sale report).

Investors in an investment fund managed by Advisor receive a monthly report that includes the investor's cashflows, account balance and a performance summary.

### **Client Referrals and Other Compensation**

Advisor has entered into written agreements with certain persons who may solicit investment advisory clients for Advisor. The compensation for persons that solicit investment advisory clients for Advisor is a percentage of the assets under management or a percentage of the investment advisory fee received from each investor who becomes a client of Advisor. Any such fee will be paid in accordance with the provisions of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and applicable state

regulations. No additional charge will be required of an investor who becomes a client of Advisor through any such solicitation agreement. These arrangements can be canceled by either party at any time. In all events, such payments are fully disclosed to the investor. The cost of any solicitation or referral fee is born entirely by Advisor.

### **Custody**

Advisor does not act as custodian for its managed accounts. Rather, clients arrange for their assets to be held by a third-party custodian of their choice. While Advisor will have discretionary authority to manage the assets held in the custody account, Advisor will not have the authority to transfer funds or assets into or out of the account. An exception applies, however, if the client elects to have its management fees paid directly from the custodial account to Advisor. In such case, Advisor will send the management fee invoice directly to the third-party custodian with a copy to the client. The management fee invoice will detail the calculation of the management fee and request payment be made directly from the custodial account. This type of arrangement will only be allowed upon a client's request provided that (i) the custodian is a "qualified custodian" within the meaning of the Investment Advisers Act (e.g., bank or broker-dealer) and (ii) the custodian provides account statements to the client on a quarterly or more frequent basis. Advisor urges clients to compare the account statements received from its custodian with the account statements received from Advisor.

Under the Investment Advisers Act, Advisor is considered to have custody of assets held by investment funds in which Advisor is the general partner. Each such investment fund will be audited annually by an independent certified public accountant that is subject to regular inspection by the Public Company Accounting Oversight Board and a copy of the audited financial statements will be delivered to the investors within 120 days after year end.

### **Investment Discretion**

To engage Advisor to manage an investment portfolio, investor and Advisor must enter into an Investment Advisory Agreement. The Investment Advisory Agreement will, among other things, include a provision that grants Advisor discretionary authority to manage the client's portfolio pursuant to one of Advisor's investment strategies, which includes certain standard investment guidelines and restrictions. Clients may, under certain circumstances, impose additional restrictions and guidelines in connection with Advisor's management of their portfolio.

### **Voting of Client Securities**

Pursuant to the terms of the Investment Advisory Agreement between Advisor and the client, Advisor typically accepts the authority to vote client securities. Clients may elect not to grant Advisor authority to vote their securities. Clients that have granted Advisor authority to vote its securities may not direct Advisor's vote regarding a particular matter.

Advisor has adopted Proxy Voting Policies and Procedures pursuant to Investment Advisers Act Rule 206(4)-6 that are reasonably designed to ensure that Advisor votes clients securities in a manner that is consistent with the best interests of its clients and

does not put Advisor's own interests above those of its clients. Advisor's Chief Compliance Officer is responsible for making a good faith effort to identify any conflicts of interest regarding proxy voting. In instances where a conflict does arise, it will be confirmed in discussions between the firm's Chief Compliance Officer and its Chief Investment Officer. In such case, the proxy will either be (i) voted strictly per the guidelines, or (ii) voted only after receiving consent from the client. If client consent is solicited, the Chief Compliance Officer will provide the client with sufficient information regarding the proxy vote and Advisor's potential conflict so that the client can make an informed decision whether to consent. Clients may obtain a copy of Advisor's Proxy Voting Policies and Procedures upon request.