

## **FORM ADV, PART II Disclosure Brochure**

Pursuant to the provisions of Section 204 of The Investment Advisers Act of 1940 as amended by the "Brochure Rule", Release No. 664 issued January 30, 1979, Anchor Capital Advisors LLC periodically updates Form ADV, Part II. This rule requires that Anchor provide a written document containing all the information contained in Form ADV, Part II to all clients with whom the firm enters into an investment advisory or investment management contract. This document must be delivered to a client or prospective clients:

- a) not less than 48 hours prior to executing a contract with Anchor, or
- b) at the time of executing such contract, in which case the client has the right to terminate the contract with Anchor within five business days without penalty.

In point of fact, Anchor's advisory contract is cancelable at any time without penalty upon receipt of written notification by the client.

Part II of Form ADV, the Application for Registration as an investment adviser under the Investment Advisers Act of 1940, contains information relating to Anchor's business. This information includes types of services offered and fees, types of clients served, types of investments generally recommended, methods of analysis, strategies employed, information sources utilized, educational and business backgrounds of management employees, participation in connection with securities transactions of clients, conditions for managing accounts, the nature of discretionary authority, the process for reviewing accounts and information about allocation of brokerage commissions.

The information regarding the investment adviser contained in Part II of Form ADV has not been passed upon or approved by the Securities and Exchange Commission nor has the Commission passed upon or approved the qualifications or business practices of the investment adviser described in Part II. The information contained herein relates only to specific questions to which the SEC requests answers. This document is not meant to be a marketing brochure nor is it designed to provide detailed information about all aspects of Anchor's business.

## **ANCHOR CAPITAL ADVISORS LLC**

*Member of Boston Private Wealth Management Group*

**One Post Office Square  
Boston, Massachusetts 02109-2103  
(617) 338-3800**

### **Advisory Services and Fees**

Anchor Capital Advisors LLC currently operates as two businesses: Anchor DMA Division and the Anchor SMA Investor Services Division. Approximately 40% of Anchor's advisory billings are derived from investment supervisory services and 60% from investment management not involving investment supervisory services.

### **Anchor Capital Advisors LLC**

The principal business of Anchor Capital Advisors LLC consists of furnishing "investment supervisory services" to clients; we define this activity as management of "Discretionary Managed Accounts " (DMA), which do not include Separately Managed Accounts for which we act as a sub-advisor and which also does not include Unified Managed Accounts (UMA) in which we provide investment advice (in the form of model portfolios) to an Overlay Manager. Our business activities for DMA clients include providing continuous advice to clients pertaining to investment of their monies on the basis of the individual needs and objectives of each client. The investment management process includes analysis of each client's objectives, requirements, restrictions and portfolio holdings. We attempt to structure each client's investment program in the context of these considerations.

A separate division of Anchor Capital, SMA Investor Services, provides investment management services to a number of Registered Investment Advisory firms as described below.

Anchor Capital may, from time-to-time, manage investment advisory (DMA) accounts on a fully discretionary basis without detailed knowledge or consideration of all the individual needs and objectives of the specific client. In these instances, Anchor Capital formulates an investment program which is deemed prudent and appropriate to the nature of the account and Anchor Capital's understanding of the nature of the client.

Anchor's basic fee schedule for DMA accounts is as follows.

All-Cap, Balanced and Mid-Cap Value Discipline:

1% of account assets for accounts from \$500,000 to \$3 million in assets;  
1/2% for assets exceeding \$3 million.

Small-Cap Value Discipline:

1 1/2% of account assets for accounts less than \$3 million;  
1% of account assets for accounts from \$3 million to \$5 million;  
1/2% for assets exceeding \$5 million.

Eleemosynary accounts are granted the courtesy of a 10% discount. Fees may be negotiable for charitable accounts or accounts with unusual investment management requirements. Fees are commonly negotiable for larger accounts.

These percentages are applied to beginning assets under management and fees are billed quarterly, in advance. In the event of cancellation, unearned fees are refundable on a pro rata basis. Notification of termination is generally accepted in writing or by electronic media. Multiple accounts from the same client or organization, or accounts of related persons have the option of being billed on an aggregated (as if they were a single larger account) basis, and in some instances accounts managed for related parties may be offered the courtesy of related-account billing or courtesy discount.

Anchor has special arrangements with a number of major brokerage firms and other financial advisory firms whereby clients of these firms whose accounts are managed by Anchor as DMA accounts pay a discounted fee; under these arrangements fees for accounts with assets up to \$3 million range from .5% to 1.00%. In some cases Anchor has also negotiated fee discounts for DMA clients whose accounts exceed \$500,000; frequently these arrangements relate to clients who are paying their custodial broker a flat percentage "wrap" fee, a portion of which is then paid to Anchor.

Anchor Capital requires a \$2 million minimum account threshold for its Mid-cap discipline and a \$1 million minimum account threshold for its All-cap and Balanced disciplines. Anchor does not currently require a minimum dollar amount of assets for its Small-cap value disciplines, although we generally do not accept accounts below \$250,000. We have agreed to occasionally accept accounts of less than \$250,000 from clients of certain brokerage and financial advisory firms. Anchor Capital evaluates each prospective account to insure that it can be managed efficiently and profitably, and we will not normally accept accounts which cannot be.

## **Anchor SMA Investor Services**

A division of Anchor Capital Advisors known as Anchor SMA Investor Services acts as a sub-advisor to a number of firms all of who are Registered Investment Advisors (registered with the SEC under the Securities Act of 1940). These firms include brokerage firms, public accounting firms and the securities brokerage divisions of banks.

Anchor SMA Investor Services (ASMA) employs a number of associates who are dedicated solely to providing investment management services (including trading, client relationship and marketing/sales support) to clients of Anchor SMA Investor Services. SMA is an acronym for "Separate Managed Accounts". We offer a limited service investment management program to clients of those firms.

ASMA has entered into contractual arrangements with a number of firms to act as a sub-advisor to the Registered Investment Advisor ("RIA") subsidiaries of those organizations. Under these programs (commonly called "Separate Managed Accounts" "SMA" Programs and formerly called "Wrap" Programs) clients of the RIAs of these firms are referred to Anchor Capital for discretionary investment management services; ASMA usually receives notification of each new account opening by fax, email, overnight mail, or sponsor on-line systems, acknowledges acceptance of the account and begins implementation of the client's investment program. Under these arrangements the client pays the referring RIA a percentage of assets fee ("wrap fee") and the RIA, in turn, pays Anchor Capital a portion of that fee. In all instances the fee paid by the RIA or RIA's sponsor to Anchor Capital is preferential reflecting the fact that employees of the RIA handle marketing, monitoring, reporting, recordkeeping, portfolio accounting and client service. Anchor's sole responsibility in the UMA Program is providing a model portfolio to the RIA or the RIA's designated "overlay" manager.

The RIA provides ASMA with access to a computerized trading and portfolio accounting system which is used to initiate and execute the client's management program. In all cases the RIA provides portfolio accounting and performance measurement and reporting services. ASMA does not perform any of these services for SMA clients, and Anchor Capital does not normally know either the fee schedule charged to specific clients or the investment performance reported to the client. Current SMA sponsors who have contracted Anchor's services include Morgan Stanley Inc., Edward D. Jones & Co., Wells Fargo Bank, Robert W. Baird & Co., Janney Montgomery Scott LLC, Cleary Gull, Wells Fargo Investments LLC, Bank of America Capital Management LLC, Amerprise Financial Services, RBC Dain Rauscher, Clark Capital Management Group, Inc., Morgan Keegan, Citigroup Global Markets, Inc., UBS Financial, First Allied Securities, GunnAllen Financial, Credit Suisse, Envestnet Asset Mgmt., Genworth Financial, LPL Financial, Wachovia Securities, Deutsche Bank Alex. Brown, Pershing Advisor Solucions & Crosswind Adv. Benjamin F. Edwards, Northland Asset Mgmt, Investors Capital and Stifel Nicolaus.

In most cases, ASMA does not know what fee the client is paying to the RIA program sponsor. In all cases ASMA provides investment management services to clients who have contracted with the RIA SMA Plan Sponsor. ASMA does not generally interface with clients other than representatives of the RIA SMA Plan Sponsor.

Anchor SMA Investor Services Division also serves as an investment advisor to several Unified Managed Accounts (UMA) Programs sponsored by brokerage firms, banks and other organizations, all of who are Registered Investment Advisors. Under these arrangements the client pays the referring RIA a percentage of assets fee ("wrap fee") and the RIA, in turn, pays Anchor Capital a portion of that fee. In all instances the fee paid by the RIA or RIA's sponsor to Anchor is preferential reflecting the fact that employees of the RIA handle marketing, monitoring, reporting, recordkeeping, portfolio accounting and client service.

In a UMA Program the client executes a contract with the UMA Program Sponsor and the sponsor recommends or directs which sub-advisors will be used in the client's investment program. The UMA Program Sponsor has usually contracted with an Overlay Manager, an independent RIA firm, to execute the trading, implementation and management of the clients' investment management programs. ASMA provides the Overlay Manager with a model portfolio for each discipline (i.e. small-cap value, mid-cap value, etc.) which has been chosen by the Program Sponsor. ASMA provides the Overlay Manager with a new model portfolio whenever a change is made in the model portfolio (adding an investment position, deleting an investment position or increasing/decreasing a position). The Overlay Manager may or may not elect to execute all the purchase and/or sale transactions suggested by submissions of revisions in the model portfolio. Anchor Capital associates do not enter trades, do not receive trade reports, do not perform or have access to recordkeeping, performance data or reporting or any client reporting. Anchor Capital's sole role with relation to the UMA Program Sponsor is to provide the Overlay Manager with regularly updated model portfolios for each selected discipline.

Anchor does not provide investment advice on any other basis than those described above.

Anchor does not regularly issue periodic publications relating to securities on a subscription basis, nor do we prepare for distribution special reports or analyses relating to securities.

Anchor does not generally prepare or issue any charts, graphs, formulas or other devices which clients may use to evaluate securities, nor do we furnish advice to clients on any matters not involving securities other than on an incidental basis. Anchor does not offer clients comprehensive financial planning services (although we are staffed to do so) except on an incidental basis.

## **Types of Clients**

Anchor offers investment advisory services to pension and profit-sharing accounts (corporate, joint-trusted and professional corporations), eleemosynary accounts including religious, non-profit foundations and educational institutions, corporations (taxable), individuals, and trusts and estates.

## **Types of Securities**

Anchor provides investment advice on the following types of securities: Exchange listed securities, over-the-counter securities, corporate debt securities, warrants, commercial paper, bank certificates of deposit, municipal securities, mutual funds, and option contracts on securities.

## **Methods of Analysis, Sources of Information, and Investment Strategies**

Anchor utilizes a combination of internal and external sources to analyze securities. Principal emphasis is placed on quantitative screening coupled with fundamental analysis which includes reviewing numerous information sources to determine which securities represent real value in the economic and investment environment which appears to be evolving. We do substantial screening of securities as part of the early stage analytical process. Anchor also examines technical work to supplement our fundamental analysis; the principal function of the technical analysis is to examine trends for the market, individual groups and individual securities. Technical analysis contributes to determination of relative valuation.

Anchor's principal sources of information include (but are not necessarily limited to) company-prepared reports or fundamental research information, contact or meetings with company spokespersons, contact or meetings with brokerage firm security analysts believed to be knowledgeable, various government filings and/or reports, trade journals and contacts with industry consultants or experts, review of financial newspapers and magazines, and meetings or discussions with competitors, vendors and customers.

It is Anchor's normal practice to invest in securities with an 18-24 month time horizon; i.e., Anchor normally pursues a strategy of long-term investment. Securities which meet our objectives or which experience an unfavorable fundamental or technical development may be sold in a shorter time span.

Our principal focus is to invest our clients' funds to achieve long-term capital appreciation.

We may from time-to-time utilize short sales, margin transactions or covered option writing for special client situations.

## **Review of Accounts**

Individual accounts are reviewed frequently by the responsible portfolio manager. All accounts are monitored on a portfolio accounting system which provides comprehensive on-going information concerning account performance, asset allocation and the progress of specific portfolio holdings.

In addition to normal systematic review, special examination may be triggered by unusual performance, contributions or withdrawals, sell decisions triggered by price performance, or buy decisions triggered by the Investment Committee or other special client needs.

Clients receive quarterly portfolio appraisals for their investment advisory accounts. Clients may, by specific request, receive reports more frequently. All Discretionary Managed Account (DMA) clients receive monthly custodial statements. All DMA clients are offered the opportunity to receive or not receive duplicate confirmations from the trade-executing broker, and many DMA clients do receive duplicate confirmations of all trades. All DMA clients receive a monthly portfolio summary, which includes all transactions, from their custodial organization. All DMA clients receive a quarterly portfolio appraisal from Anchor Capital and from their custodial organization. We communicate informally (by telephone or email) or meet with most clients on a regular basis. Clients of the SMA Division receive reports (appraisals, trade confirmations and performance summaries) from the SMA Program Sponsors. Anchor Capital is not the recordkeeper nor the reporting agent for the SMA Programs.

## **Education and Business Standards**

The management of Anchor Capital requires that all professionals who are giving investment advice have substantial prior experience in the investment business as an analyst, investment counselor or money manager.

**William P. Rice, President**

Born: 1944

Education: Kenyon College, B.A., Cum Laude, 1966

New York University - coursework

Background: Anchor Capital Advisors LLC

President 2006 - Present

Anchor/Russell Capital Advisors LLC

President 2006 - Present

Anchor/Russell Southeast Advisors, Inc.

President 1993 - 1994

Anchor/Russell Capital Advisors, Inc.

President 1989 - 2006

Anchor Capital Advisors, Inc.

President 1983 – 2006

**Mark V. Rickabaugh, Executive Vice President/Chief Investment Officer**

Born: 1941

Education: Purdue University, B.S., 1963

Wharton School, MBA 1969

Chartered Financial Analyst (CFA) 1975

Certified Financial Planner (CFP) 1984

Background: Anchor Capital Advisors LLC

Executive Vice President/Chief Investment Officer 2006 - Present

Anchor Capital Advisors, Inc.

Executive Vice President/Chief Investment Officer 1985 - 2006

**Robert F. Croce, Senior Vice President/Director of Marketing**

Born: 1940

Education: Suffolk University, B.A. 1961

Background: Anchor Capital Advisors LLC

Senior Vice President & Director of Marketing 2006 - Present

Anchor Capital Advisors, Inc.

Senior Vice President 1986 - 2006

**Charles A. Austin III, Senior Vice President**

Born: 1934

Education: Lehigh University, B.S., 1957

Background: Anchor Capital Advisors LLC  
Senior Vice President 2006 - Present  
Anchor Capital Advisors, Inc.  
Senior Vice President 2001 - 2006  
Appleton Partners, Inc.  
Senior Vice President & Portfolio Manager 1994 - 2001

**Stephen Mead, Jr., First Vice President/Senior Financial Analyst**

Born: 1952

Education: Harvard College, B.A., 1975  
Wharton School, MBA 1983  
Chartered Financial Analyst (CFA) 1986

Background: Anchor Capital Advisors LLC  
First Vice President/Senior Financial Analyst 2006 – Present  
Anchor Capital Advisors, Inc.  
First Vice President/Senior Financial Analyst 1986 – 2006

**Charles G. Pohl, Senior Vice President**

Born: 1961

Education: Bowdoin College, B.A. 1983

Background: Anchor Capital Advisors LLC  
Senior Vice President 2006 - Present  
Anchor Capital Advisors, Inc.  
Senior Vice President 2006  
First Vice President 2002 – 2006  
Putnam Investments - Global Equities Group  
Senior Vice President, Senior Portfolio Manager 1991-2001

**William J. Hickey, Vice President/Financial Analyst**

Born: 1964

Education: Holy Cross, B.S., 1986  
Pepperdine University, MBA 1991

Background: Anchor Capital Advisors LLC  
Vice President/Analyst 2006 – Present  
Anchor Capital Advisors, Inc.  
Vice President/Analyst 1995 – 2006

### **David J. Watson, Vice President/Financial Analyst**

Born: 1963

Education: University of California, MBA Finance, 2000  
Lehigh University, B.S. Industrial Engineering, 1985

Background: Anchor Capital Advisors LLC  
Vice President/Financial Analyst 2006 - Present  
Anchor Capital Advisors, Inc.  
Vice President/Financial Analyst 2001- 2006  
AMA Consulting, Inc.  
Vice President 1996 - 2000  
CIMCO Medical Inc.  
Sales/Technology Manager 1993-1996

### **William P. Rice, Jr., Vice President/Financial Analyst**

Born: 1975

Education: Georgetown University, B.S., International Finance, 1998  
Tuck School of Business at Dartmouth, MBA, 2005

Background: Anchor Capital Advisors LLC  
Assistant Vice President/Financial Analyst 2006 – Present  
Anchor Capital Advisors, Inc.  
Assistant Vice President/Financial Analyst 2005 – 2006  
J.P. Morgan  
Associate Analyst, Equity Research 2000 - 2003  
Robertson Stephens  
Financial Analyst, Investment Banking 1998 - 2000

### **Other Business Activities**

Anchor's principal business is that of an investment adviser. Anchor does not act as a broker/dealer or a custodian, and we do not offer products such as custodial services, insurance, tax-shelters, mutual funds, etc.

### **Participation or Interest in Client Transactions**

Employees of Anchor Capital have, from time-to-time, acted as coordinator to raise funds from investors for "venture capital" investments in venture capital limited partnership funds or smaller businesses which are starting up or are relatively new. In all cases one or more of Anchor Capital's employees have been investors. In no case has Anchor solicited nor received any sales fees. We do receive reimbursement for "out of pocket" legal and accounting expenses. This activity does not consume substantial time or resources, and this activity makes no financial contribution to Anchor's results.

Employees of Anchor Capital, including its officers and directors, may purchase securities in private offerings and subsequently sell them after the issuer commences a public offering of the securities which may in certain situations garner a significant profit to the employee. In addition, Anchor may also purchase the same securities for clients during or after the initial public offering, but since Anchor did not purchase the securities prior to the public offering for clients, the client may not be able to achieve the same profit potential as Anchor employees that purchased the same securities in a private offering. To ensure that employees do not dispose of such securities during an initial public offering that Anchor clients participate in, Anchor employees are prohibited by Anchor's Personal Trading Policy from trading in any initial public offering and from disposing of any security purchased in a private offering for [three/six] months after commencement of the public offering unless specifically approved by Anchor's compliance officer.

As a general rule, Anchor Capital's account and employee or party-at-interest accounts do not buy or sell securities which are also recommended to clients; however, employees are not prohibited from such purchases. Employees have been instructed not to purchase or sell securities for their own account or accounts to which they are a party-at-interest if the firm's portfolio managers are known to be contemplating or in the process of executing transactions in that security for client accounts. In the event any employee or Anchor Capital's own account wishes to purchase or sell securities which are being purchased or sold for Anchor DMA accounts, completion of all client purchases or sales must have taken place before any such transactions can occur. Anchor Capital has informed all employees of the "scalping" rule promulgated by the SEC. Anchor Capital has also promulgated guidelines for employees investing in private placement transactions.

### **Investment Discretion and Brokerage Allocation**

In managing "non-directed accounts" the portfolio managers normally do have discretionary authority on the choice and amount of securities to be bought or sold as well as the broker through which said securities are bought and sold and the commission rates for these transactions.

Many of Anchor Capital's clients designate specific brokers as "broker of record" or "broker of preference" thereby directing some or all of the purchase and sale activity through that broker. In some cases the client uses the broker as custodian, in which case the portfolio manager is effectively restricted to dealing with that specific brokerage firm, and the portfolio manager may not determine the commission rates. In many cases the client negotiates a standard commission discount which is applied to all trades with the "directed" broker. In recent years an increasing number of clients have entered into arrangements with brokers whereby the broker receives a fixed percentage of assets ("wrap fee") and no commissions are charged for trades. In some instances, Anchor Capital may be paid its investment advisory fee from that fee. Usually Anchor Capital is not a participant in the negotiation between the broker and the client or prospective client, and Anchor generally

has little or no input to either party in that negotiation. Commissions paid by client accounts in these arrangements may be higher than those obtainable from other brokers, and fixed income securities sold or purchased for these client accounts may not be at the same prices obtainable in a competitive bidding ("best execution") situation. Anchor Capital believes that clients who use a broker of record ("directed brokerage") are not generally able to take advantage of volume discounts which might be available to clients who do not specify any "broker of record" or "broker of preference".

In Anchor Capital's non-directed brokerage arrangements, Anchor Capital selects the brokers to execute securities transactions for client accounts and negotiates the commission rates for those transactions (without specific client consent).

Anchor Capital has and may, from time to time, invest client DMA accounts in securities being offered in Initial Public Offerings (IPO's) or Secondary Offerings. Generally, Anchor Capital has not invested in so-called "hot" IPO's. Allocation of shares purchased in IPO's or secondary offerings are made on the basis of suitability with specific client investment objectives, ability to trade client portfolio, size of transaction and other considerations.

Because Anchor Capital's clients (in the DMA Division) have elected to use a number of custodians (many of whom are broker/dealers) or to utilize various "brokers of record" Anchor utilizes a Microsoft Excel Program which is programmed to randomly select among directed brokers for position in the order entry queue. This system is designed to insure that certain clients and brokers do not receive preferential treatment in executing trading programs. ASMA uses a disciplined order entry rotation to insure that all Program Sponsors and their clients are treated fairly.

In selecting a broker for a specific transaction, Anchor Capital considers the quality of the broker's execution capabilities in light of the size and difficulty of the transaction, the broker's ability to execute trades on a timely basis, the broker's ability to get a favorable price at which the securities will be bought or sold, as well as the commission rate to be charged for executing the transaction. As a result, Anchor Capital may negotiate a brokerage commission for a specific transaction at a rate which is in excess of the commission rate that another broker may have charged for executing the same transaction. Generally, however, prevailing commission rates are a matter of common knowledge among financial managers, and for most transactions, Anchor Capital attempts to receive rates that are competitive with prevailing rates.

In determining whether to select a broker to execute a specific transaction, Anchor Capital also may consider research, performance evaluation and other types of products and services that it receives from the broker. As a result, Anchor Capital may negotiate a specific transaction brokerage commission at a rate exceeding the commission rate which another broker may have charged for simple execution of the same transaction in return for those products and services.

Subject to Section 28e of the Securities and Exchange Act of 1934, Anchor Capital has entered into verbal or written arrangements with specifically designated firms to either (a)

provide Anchor Capital with specific services in exchange for commissions or (b) compensate an unrelated third party for services being provided to Anchor Capital. These broker-dealers have been selected on the basis of numerous considerations including cost competitiveness, ability to execute trades competitively, ability to interface with DTC (Depository Trust Company) and Anchor Capital's systems.

The primary services being furnished to Anchor Capital on this basis include, but are not limited to (1) a securities screening and evaluation service used for investment research, (2) an economic evaluation/monitoring service which also prints Anchor Capital's quarterly Economic Overview, (3) software and support services to operate Anchor Capital's portfolio accounting and trading systems, (4) Telemet Orion financial markets quotation and news service, (5) First Call, an Internet-based service which delivers a wide array of published Wall Street investment research analysis on a timely basis, (6) a research service dedicated to early detection of socio/economic/demographic trends which might have future impact on the capital markets, and (7) other research services dedicated to detecting and tracking various market trends.

One of the primary services utilized by Anchor Capital is the software and support services to operate Anchor Capital's portfolio accounting system, which is the integral system for trading, portfolio analysis, recordkeeping and performance. These portfolio accounting services are also utilized by Anchor Capital's affiliated registered investment advisor, Anchor/Russell Capital Advisors LLC to handle similar client portfolio functions. A portion of fees used to pay for that system and generate various reports are paid for by brokerage commissions and the remainder is paid for by Anchor Capital. Anchor/Russell pays separately for the fees charged in connection with reports used by Anchor/Russell.

The products and services described above, including all investment research, are utilized in the management of most, and probably all, client accounts, not just those accounts whose commission dollars are used to acquire research products and services.

The procedures used to direct client transactions to particular brokers in return for products and research services received include regular review of commissions coupled with frequent review of the contributions various brokers are making.

### **Investment Management Consultant Relationships**

A number of major national broker-dealer firms, banks and public accounting firms have entered into the business of providing their clients with investment management consulting services which includes performing intensive research on individual investment advisory firms and assisting clients in conducting "manager searches" and interviewing managers. Anchor Capital has been the subject of "due diligence" activities by a number of such consulting groups, and a substantial number of Anchor Capital's clients are referred by consultants or brokers affiliated with a variety of firms.

It is common practice for brokers to offer DMA clients the opportunity to pay a flat fee, commonly known as a "wrap fee", fee in lieu of directed commission, in which case trades are executed without a brokerage commission being charged. In these "wrap fee" arrangements, the broker-dealer usually pays the adviser's fee from the "wrap fee". The advisory fee is Anchor's normal posted fee with the exception of clients of Morgan Stanley, (see above paragraph) UBS Financial, Citigroup, Wachovia, Bear Stearns, Merrill Lynch, Cigna, Janney Montgomery Scott, Raymond James, and Phillips who pay a negotiated discounted fee which is generally 75-85 basis points. Certain clients of Wachovia Securities who use the custody and Asset Performance Monitor (APM) services pay three quarters of one percent.

Historically, Anchor Capital has not accepted DMA accounts with assets less than \$250,000 except for clients initiating additional accounts with greater assets. Since approximately the year 2000 an increasing number of client accounts with assets less than \$250,000 have been accepted by Anchor Capital as a special courtesy or accommodation to the referring broker consultant. In many cases this situation has arisen because the broker consultant moved to a new broker-dealer and his/her accounts moved from SMA Investor Services to Anchor DMA management. In other cases Anchor Capital has waived the \$250,000 minimum for broker consultants employed by Morgan Stanley, UBS Financial, Citigroup, Wachovia Securities and Merrill Lynch.

Anchor Capital may, from time to time, direct brokerage commissions to broker-dealers who have referred clients to Anchor Capital; these commissions might be in lieu of or in addition to commissions or wrap fees which are being paid by the clients or accounts being referred to Anchor Capital. In some instances broker-dealers have referred clients to Anchor Capital on a "broker of preference" basis and Anchor Capital has subsequently found the referring broker unable to provide competitive execution (primarily in fixed income securities); in such cases Anchor Capital may direct some undirected broker-dealer commissions to the referring broker-dealer subsequent to the Anchor Capital's execution of such fixed income transactions with a different broker-dealer at a more competitive level. Anchor Capital's policy regarding commissions directed in either instance described herein is to execute trades at commission rates prevailing competitively.

### **Fee Sharing and Inter-Company Compensation**

As discussed previously an affiliate company, Anchor/Russell Capital Advisors LLC, has referred a number of client relationships to Anchor Capital who, in turn, shares a portion of the investment management fee (as an intercompany transaction) with Anchor/Russell. Anchor Capital has entered into agreements with various independent marketing representatives, which provide for such representatives to receive a portion of Anchor Capital's investment management fees if the representative is responsible for introducing the client to Anchor Capital. These agreements contain provisions to insure compliance with applicable provisions of the Investment Advisers Act of 1940 and subsequent

amendments and specifically Rule 206(4)-3. Such agreement provides for full disclosure to the client of any fee sharing arrangements.

Anchor Capital has also made arrangements whereby clients of its affiliated company, Anchor/Russell Capital Advisors LLC, utilize Anchor's DMA investment management services. Through inter-company transactions Anchor shares its fee with Anchor/Russell to cover general overhead and portfolio manager compensation.

## **Proxy Voting Policy and Procedures**

Under Rule 206(4)-6 and amendments to Rule 204-2 under the Investment Advisers Act of 1940, Anchor Capital Advisors has adopted and implemented written policies and procedures for voting proxies on behalf of our clients. A detailed statement of Policies and Procedures has been developed to govern proxy voting which Anchor Capital undertakes on behalf of clients who have delegated us the authority to vote proxies on behalf of their portfolio holdings; clients wishing to receive a copy of this detailed statement should write or e-mail us.

Essentially the Chief Compliance Officer (CCO) shall be responsible for appointing an officer of the Company to serve as “Chief Proxy Voting Officer (CPVO)” and the CPVO may, in turn, designate a “Proxy Voting Associate (PVA)” to assist in implementation of Proxy Voting Procedures. The Investment Policy Committee (IPC) shall be responsible for general oversight of Proxy Voting Policies and Procedures.

It shall be the responsibility of the CPVO to review all proxies solicited on behalf of our clients, to analyze the questions and propositions being proposed, to make a determination, in consultation with the IPC, how each proposal might effect and impact the financial and economic interests of our clients, and to execute that vote which is deemed to represent the most favorable short and long term economic interests of our clients.

The CPVO shall give especially close attention to proposals affecting the value or future value of our clients’ investments. The CPVO shall be responsible for reviewing all Proxy statements in order to determine which proposals might be controversial, which proposals are deemed in the best interests of our client shareholders and which might not. The IPC, in consultation with the CPVO, shall make a determination regarding the proper action to take (vote “in favor” or vote “against”), and the CPVO shall provide specific guidelines to the PVA on how to vote on each specific question on each specific proxy.

Clients who wish may submit, in writing to the CCO, any Client Specific Investment Guidelines or Statements of Investment Objectives containing specific proxy voting instructions. The CPVO shall keep records on all such client-specific instructions and guidelines, and the CPVO shall be responsible for conscientious adherence to such client specific guidelines and instructions.

Clients wishing additional information regarding Proxy Voting or additional information pertaining to specific votes cast on their behalf should submit a request, in writing, to:

William P. Rice, Chief Compliance Officer  
Anchor Capital Advisors LLC  
One Post Office Square  
Boston, MA 02109-2103

## **The Anchor Companies Privacy Notice**

As required by the Gramm-Leach-Bliley Act, signed into law in November 1999, Anchor Capital Advisors LLC, Anchor/Russell Capital Advisors LLC and Anchor Venture Trust (hereinafter “The Anchor Companies”) have adopted policies in order to safeguard the personal information of The Anchor Companies’ respective clients and their families, businesses or other entities; all of the following also applies to former clients. This policy was adopted to comply with Regulation S-P as effected by the Securities and Exchange Commission.

The Anchor Companies relationship with their customers is uniquely personal. We help our clients with important financial matters relating to investment management of private wealth. As our client, you entrust us with detailed personal information regarding yourself, your family, your investments, your business, your lifestyle, your estate planning and financial planning. Keeping confidential client information secure is a top priority. This Privacy Notice explains the Anchor Companies collection, use, retention, disclosure and security of information about you and your family.

### **How We Gather Information**

Since the mission of The Anchor Companies is providing our customers with investment advice, we necessarily collect and store or archive detailed information about our customers. The types of information we necessarily collect include, but are not limited to, names, addresses, phone numbers, social security numbers of family members, detailed personal financial information including income, tax status and history, detailed net worth data, asset lists and valuations, insurance and estate planning documents, and a wealth of other personal and family data. This information is derived from the following sources:

- Client information forms, portfolio appraisals, financial account statements, gain/loss ledgers, income tax returns, personal financial records, financial planning documents, estate planning and personal checking/brokerage/bank/retirement plan/stock option plan statements provided to us by you or your trusted advisors to assist us in understanding your investment needs, risk tolerance, long term objectives and overall financial situation; our analysis of this information, which is generally quite specific and detailed, is necessary to develop a suitable investment management program.
- Interviews with you and members of your family or management team, interviews or discussions with various trusted advisors including, but not limited to, your tax preparation professional, attorney, financial planner, insurance advisor, estate planning professional, broker or other trusted advisors.

- Information about transactions which we execute on your behalf.
- Information received from you, your family or your trusted advisors in written, telephonic or electronic form.

## **Our Customer Privacy Policy**

The Anchor Companies serve as fiduciaries for our investment management clients, and we protect personal information by maintaining physical, electronic and procedural safeguards that meet or exceed applicable law. We will not sell, share or divulge confidential information pertaining to our clients to any unaffiliated third party except as outlined in the three categories below. We do disclose, as permitted by law, certain of the information described above for the purposes outlined below.

### **Disclosure of Information Required to Conduct Business on Your Behalf**

In the normal course of conducting our business acting as a fiduciary on behalf of our clients, we must necessarily share or disclose some data about our clients to custodial organizations (who usually also possess detailed personal information about you as their client), brokerage firms who may be selected to execute transactions on behalf of our clients, clearing agent firms and law firms pursuing shareholder class action lawsuits. All of these organizations have their own privacy and customer confidentiality obligations and policies, and many are subject to Regulation S-P. In most cases these are large, national organizations that have sophisticated and disciplined compliance procedures. It is important for you to understand that we would not be able to conduct business on your behalf without disclosing certain limited information regarding you and your account to these unaffiliated third parties.

### **Disclosure of Information With Your Consent**

In the normal course of our business, company associates are frequently requested by customers to provide confidential client information including, but not limited to, gain/loss ledgers, portfolio appraisals, asset cost basis and market value data etc. to accountants, lawyers, financial planners/advisors or brokers. We are happy to comply with such client requests; however, we must request that clients provide written or electronic confirmation of such requests in order to ensure the release of this confidential data does not violate the spirit or letter of Regulation S-P.

### **Disclosure of Information To Legally Empowered Regulatory Entities**

The Anchor Companies are subject to registration requirements with The Securities and Exchange Commission and state regulatory authorities for essentially all 50 states. Both Federal and State authorities are empowered to perform certain audit functions to ensure our companies comply with federal, state and local laws governing Registered Investment Advisory Firms. In the course of performing such audit functions, these

regulatory authorities may request data and information regarding our clients. We will take all possible steps to ensure this information is protected and not removed from our premises nor recorded in any form where it might become subject to public disclosure under applicable state and federal laws. We could also be required to provide information about you without your consent, as permitted by law, to respond to a subpoena or court order or in connection with proposed or actual sale, merger or transfer of ownership of our businesses.

As always, should you have any questions, comments or observations, please do not hesitate to contact us.

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### **Code of Ethics**

Anchor Capital Advisors LLC and Anchor/Russell Capital Advisors LLC have adopted a Code of Ethics which provides company employees detailed guidelines governing their conduct including, but not limited to, the conduct of business with company clients, knowledge and enforcement of company privacy policies, conflicts of interest, compliance with state and Federal statutes, laws and regulations, personal trading activities (including reporting to Compliance personnel) and possession and actions with regard to "insider information.

Clients wishing to obtain a copy should contact Chief Compliance Officer, Anchor Capital Advisors LLC, One Post Office Square, Boston, MA. 02109. Telephone: 617-338-3800

### **The Anchor Companies Client Recordkeeping Policies**

All Anchor Capital and Anchor/Russell clients utilize a custodian (bank, brokerage firm) to hold their securities and cash. The custodians hold the securities, collect dividends and interest, make disbursements as well as process deposits. All custodians track account activity on their computer systems, and custodians mail out monthly and yearend statements to clients, unless they are requested not to do so by the client. The Anchor Companies also track client portfolio activity internally utilizing portfolio accounting software from Advent Software, the largest vendor to our industry. When a new account is established with the Anchor Companies, we make a concerted effort to analyze and determine the accurate cost basis on each client's existing securities which are being placed under our management. Often this data is provided by clients themselves or their advisors, such as their accountant. Naturally, because we are dependent on third parties for providing original cost basis data, it is not always possible to provide clients with accurate capital gain/loss information when securities are liquidated.

The Anchor Companies reconcile client accounts with custodial records on a monthly basis. With many custodians we can do this electronically through the Rex system. The reconciliation process, much like balancing a checkbook against the bank, is designed to rapidly identify and rectify any account anomalies such as uncollected interest payments. In some instances custodians and/or clients fail to notify us of deposits into or withdrawals out of a client custodial account. In the absence of such notification, we may not be able to post the activity until we find it during account reconciliation. Until we either discover or are notified of deposits to client accounts, we are naturally unable to take appropriate action. Thus we request that clients always notify us directly of account deposits or withdrawals.

An important part of the reconciliation process is accurate determination and posting of various "corporate actions" such as spinoffs, stock splits, tender offers etc. Many custodians are slow to post these, and often do not research the tax consequences of corporate actions. The Anchor Companies make a concerted effort to maintain accurate client records in order to provide accurate tax reporting as well as portfolio performance.

Periodically we receive notice of class action suit settlements with companies whose shares or bonds we may have purchased. If the security in question was purchased by The Anchor Companies, then we assume responsibility to file for appropriate recovery on behalf of our clients. If a suit comes to our attention pertaining to securities which were not purchased by us, but were purchased prior to our entering into a contract with the client, then the client (and not us) bears responsibility to file for the settlement. If a client cancels our contract and terminates our services, then we no longer have an obligation to file on their behalf for these class actions lawsuits. We and most custodians will now accept client instructions, authorizations and notifications transmitted via email.