

ADV Form 291

**Kennedy Capital
Management
ADV Part II, Privacy and
Proxy Policy
As of 10/23/2009**

FORM ADV**Uniform Application for Investment Adviser Registration****Part II - Page 1**

OMB APPROVAL

OMB Number: 3235-0049

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Hours per response... .9.402

Name of Investment Adviser:

Kennedy Capital Management, Inc.

Address: (Number and Street)

(City)

(State)

(Zip Code)

Area Code: Telephone Number:

10829 Olive Blvd.**St. Louis****MO****63141-7739****(314) 432-0400**

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.
The information has not been approved or verified by any governmental authority.**

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

**Potential persons who are to respond to the collection of information contained in this form
are not required to respond unless the form displays a currently valid OMB control number.**

FORM ADV**Part II - Page 2**

Applicant:

Kennedy Capital Management, Inc.

SEC File Number:

801-15323

Date:

10/23/2009**1. A. Advisory Services and Fees.** (check the applicable boxes)For each type of service provided, state the approximate % of total advisory billings from that service.
(See instruction below.)**Applicant:**

- | | | | |
|-------------------------------------|-----|---|-----------------|
| ☒ | (1) | Provides investment supervisory services | <u>100%</u> |
| ☐ | (2) | Manages investment advisory accounts not involving investment supervisory services | <u> </u> % |
| ☐ | (3) | Furnishes investment advice through consultations not included in either service described above | <u> </u> % |
| ☐ | (4) | Issues periodicals about securities by subscription | <u> </u> % |
| ☐ | (5) | Issues special reports about securities not included in any service described above | <u> </u> % |
| ☐ | (6) | Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities | <u> </u> % |
| ☐ | (7) | On more than an occasional basis, furnishes advice to clients on matters not involving securities | <u> </u> % |
| ☐ | (8) | Provides a timing service | <u> </u> % |
| ☐ | (9) | Furnishes advice about securities in any manner not described above | <u> </u> % |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term?Yes ☐ No ☒**C.** Applicant offers investment advisory services for: (check all that apply)

- | | |
|---|--|
| ☒ (1) A percentage of assets under management | ☐ (4) Subscription fees |
| ☐ (2) Hourly charges | ☐ (5) Commissions |
| ☐ (3) Fixed fees (not including subscription fees) | ☒ (6) Other |

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. Types of clients - Applicant generally provides investment advice to: (check those that apply)

- | | |
|---|--|
| ☒ A. Individuals | ☒ E. Trusts, estates, or charitable organizations |
| ☒ B. Banks or thrift institutions | ☒ F. Corporations or business entities other than those listed above |
| ☒ C. Investment companies | ☐ G. Other (describe on Schedule F) |
| ☒ D. Pension and profit sharing plans | |

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

FORM ADV**Part II - Page 3**

Applicant:

Kennedy Capital Management, Inc.

SEC File Number:

801- **15323**

Date:

10/23/2009**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- | | |
|---|--|
| ☒ A. Equity securities | ☒ H. United States government securities |
| ☒ (1) exchange-listed securities | |
| ☒ (2) securities traded over-the-counter | I. Options contracts on: |
| ☒ (3) foreign issues | ☐ (1) securities |
| | ☐ (2) commodities |
| ☒ B. Warrants | J. Futures contracts on: |
| | ☐ (1) tangibles |
| ☒ C. Corporate debt securities
(other than commercial paper) | ☐ (2) intangibles |
| ☐ D. Commercial paper | K. Interests in partnerships investing in: |
| ☐ E. Certificates of deposit | ☐ (1) real estate |
| ☐ F. Municipal securities | ☐ (2) oil and gas interests |
| | ☒ (3) other (explain on Schedule F) |
| G. Investment company securities: | ☒ L. Other (explain on Schedule F) |
| ☐ (1) variable life insurance | |
| ☐ (2) variable annuities | |
| ☐ (3) mutual fund shares | |

4. Methods of Analysis, Sources of Information, and Investment Strategies.

A. Applicant's security analysis methods include: (check those that apply)

- | | |
|---|---|
| (1) ☐ Charting | (4) ☐ Cyclical |
| (2) ☒ Fundamental | (5) ☒ Other (explain on Schedule F) |
| (3) ☒ Technical | |

B. The main sources of information applicant uses include: (check those that apply)

- | | |
|---|--|
| (1) ☒ Financial newspapers and magazines | (5) ☐ Timing services |
| (2) ☒ Inspections of corporate activities | (6) ☒ Annual reports, prospectuses, filings with the
Securities and Exchange Commission |
| (3) ☒ Research materials prepared by others | (7) ☒ Company press releases |
| (4) ☒ Corporate rating services | (8) ☐ Other (explain on Schedule F) |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- | | |
|--|--|
| (1) ☒ Long term purchases
(securities held at least a year) | (5) ☐ Margin transactions |
| (2) ☒ Short term purchases
(securities sold within a year) | (6) ☐ Option writing, including covered options, uncovered
options or spreading strategies |
| (3) ☒ Trading (securities sold within 30 days) | (7) ☒ Other (explain on Schedule F) |
| (4) ☐ Short sales | |

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

FORM ADV**Part II - Page 4**

Applicant:

Kennedy Capital Management, Inc.

SEC File Number:

801-15323

Date:

10/23/2009**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients?

Yes No
☒ ☐

(If yes, describe these standards on Schedule F.)

6. Education and Business Background.

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- | | |
|-----------------|--|
| • Name | • formal education after high school |
| • year of birth | • business background for the preceding five years |

7. Other Business Activities. (check those that apply)

- ☐ A. Applicant is actively engaged in a business other than giving investment advice.
- ☐ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. Other Financial Industry Activities or Affiliations. (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- | | |
|--|--|
| ☐ (1) broker-dealer | ☐ (7) accounting firm |
| ☐ (2) investment company | ☐ (8) law firm |
| ☐ (3) other investment adviser | ☐ (9) insurance company or agency |
| ☐ (4) financial planning firm | ☐ (10) pension consultant |
| ☐ (5) commodity pool operator, commodity trading adviser or futures commission merchant | ☐ (11) real estate broker or dealer |
| ☐ (6) banking or thrift institution | ☐ (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?.....

Yes No
☒ ☐

(If yes, describe on Schedule F the partnerships and what they invest in.)

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

FORM ADV
Part II - Page 5

Applicant:

Kennedy Capital Management, Inc.

SEC File Number:

801- **15323**

Date:

10/23/2009
9. Participation or Interest in Client Transactions.

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☐ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☒ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? ☒ Yes ☐ No

(If yes, describe on Schedule F.)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Account reviews are designed to ensure that transactions for client accounts are consistent with each client's specific investment objectives as indicated in the client's advisory contract and instructions to KCM. Matters generally reviewed include specific guidelines and the performance of the account on a year-to-year basis. The Investment Policy Committee performs a regular assessment of the investment decisions implemented by each portfolio manager. The matters reviewed include diversification, portfolio composition, performance, and factor characteristics relative to the identified benchmarks.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

Reports are furnished to clients no less than quarterly. KCM will furnish reports to clients on a more or less frequent basis if they so request. KCM's reports summarize investments in the client's account, including market value and the percentage of each security held relative to the total account. Performance is compared to the appropriate Russell index and other relevant benchmarks, where applicable. KCM generally attempts to schedule at least one meeting a year with each institutional client to review the client's account and investment objectives. KCM believes these meetings, that may be held at the client's office, are important in aligning KCM's individualized portfolio strategy with the client's investment needs.

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

Applicant:

Kennedy Capital Management, Inc.

SEC File Number:

801-15323

Date:

10/23/2009

12. Investment or Brokerage Discretion.

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

(1) securities to be bought or sold?

Yes No

☒ ☐

(2) amount of the securities to be bought or sold ?

Yes No

☒ ☐

(3) broker or dealer to be used ?

Yes No

☒ ☐

(4) commission rates paid?

Yes No

☒ ☐

B. Does applicant or a related person suggest brokers to clients?

Yes No

☒ ☐

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients?

Yes No

☒ ☐

B. directly or indirectly compensates any person for client referrals?

Yes No

☒ ☐

(For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities unless applicant is registered or registering only with the Securities and Exchange Commission; or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet?

Yes No

☐ ☒

**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Kennedy Capital Management, Inc.	801- 15323	10/23/2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Kennedy Capital Management, Inc.	IRS Empl. Ident.No.: 43-1225960
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Item of Form (identify)	Answer																				
Part II, Item 1.D.	Investment Advisory Services and Fees Kennedy Capital Management, Inc. (KCM) is an independent advisory firm registered with the Securities and Exchange Commission pursuant to Section 203 of the Investment Advisers Act of 1940, as amended (the Act). KCM was incorporated in 1980 under the laws of the State of Missouri. KCM provides investment management services on a discretionary basis for taxable and tax-exempt institutions, investment companies and individual clients. KCM's Standard Small Cap Fee Schedule <table> <tr> <th><u>Assets</u></th><th><u>Fee</u></th></tr> <tr> <td>First \$30 Million</td><td>1.00%</td></tr> <tr> <td>Next \$20 Million</td><td>0.90%</td></tr> <tr> <td>Balance over \$50 Million</td><td>0.80%</td></tr> </table> KCM's Standard Mid Cap Fee Schedule <table> <tr> <th><u>Assets</u></th><th><u>Fee</u></th></tr> <tr> <td>First \$30 Million</td><td>0.90%</td></tr> <tr> <td>Next \$20 Million</td><td>0.80%</td></tr> <tr> <td>Balance over \$50 Million</td><td>0.70%</td></tr> </table> KCM's Standard All Cap Value Fee Schedule <table> <tr> <th><u>Assets</u></th><th><u>Fee</u></th></tr> <tr> <td>All</td><td>0.70%</td></tr> </table> Fees for any particular client or account are negotiable and may be lowered or waived under certain circumstances, in KCM's discretion. Related client accounts may be aggregated in order to determine fee breakpoints. Although assets held in the KCM Small Cap Core Fund, LLC and the KCM Mid Cap Value Fund, LLC (the "Funds") may be included in asset totals for the purpose of such aggregation, the fees charged to clients in the Funds will not be affected by any breakpoints that may be determined to apply to clients for whom KCM manages separate accounts. Fees for individual and other non-institutional accounts are generally charged quarterly, in advance, at the beginning of each calendar quarter, based on the value of the client's account at the end of the prior quarter. New accounts are charged a pro-rata fee for the quarter based on initial assets deposited in the account. Either the client or KCM may terminate the investment advisory contract by written notice to the other party. Upon termination, any prepaid fees relating to the remainder of the calendar quarter are refunded to the client. KCM may provide investment subadvisory services to clients of Convergent Wealth Advisors, LLC ("Convergent") as well as individually managed separate account services to Convergent's clients subject to reasonable restrictions. Convergent is responsible for determining whether a particular investment manager or investment strategy is suitable for Convergent's client. KCM will provide its disclosure statement (ADV Part II & Schedule F) and Privacy Notice to clients of Convergent at least 48 hours prior to trading such account and is responsible for voting proxies for the account of Convergent's client unless KCM is notified otherwise by Convergent. Convergent is solely responsible for taking all appropriate steps to comply with anti-money laundering requirements for its clients. Fees are paid to KCM quarterly in advance. Clients of Convergent compensate Convergent directly and Convergent in turn pays KCM its fee. If KCM's services are terminated, KCM will refund a pro-rata portion of the fee it received from Convergent.	<u>Assets</u>	<u>Fee</u>	First \$30 Million	1.00%	Next \$20 Million	0.90%	Balance over \$50 Million	0.80%	<u>Assets</u>	<u>Fee</u>	First \$30 Million	0.90%	Next \$20 Million	0.80%	Balance over \$50 Million	0.70%	<u>Assets</u>	<u>Fee</u>	All	0.70%
<u>Assets</u>	<u>Fee</u>																				
First \$30 Million	1.00%																				
Next \$20 Million	0.90%																				
Balance over \$50 Million	0.80%																				
<u>Assets</u>	<u>Fee</u>																				
First \$30 Million	0.90%																				
Next \$20 Million	0.80%																				
Balance over \$50 Million	0.70%																				
<u>Assets</u>	<u>Fee</u>																				
All	0.70%																				

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

Schedule F of**Form ADV****Continuation Sheet for Form ADV Part II**

Applicant:

Kennedy Capital Management, Inc.

SEC File Number:

801- 15323

Date:

10/23/2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

Kennedy Capital Management, Inc.

IRS Empl. Ident.No.:

43-1225960Item of Form
(identify)

Answer

KCM also provides investment advisory services to clients of Morgan Stanley Smith Barney LLC ("Morgan Stanley Smith Barney") as a result of its preexisting relationship with the Smith Barney division of Citigroup Global Markets Inc. (the "Smith Barney Channel") through two programs offered by the Smith Barney Channel: KCM serves as a sub-manager in the Select Unified Managed Account ("UMA") program and as a fiduciary manager in the Fiduciary Services program. 1) In the Select UMA Kennedy Capital's fee is based on the percentage of assets allocated to its Mid Cap Value strategy, as of the date on which the fee is calculated, multiplied by assets invested in each client account. Select UMA fees are payable quarterly, in advance. Clients in the Select UMA compensate Morgan Stanley Smith Barney directly and Morgan Stanley Smith Barney in turn pays KCM its fee. If KCM's services are terminated or a client withdraws assets from an account, KCM will refund a pro-rata portion of the fee it received from Morgan Stanley Smith Barney. 2) In the Fiduciary Services program KCM's fee is based on the fair market value of client assets invested in its Mid Cap Value strategy, valued as of the last business day of the previous calendar quarter. Fiduciary Services fees are payable quarterly, in advance. Clients in the Fiduciary Services program compensate Morgan Stanley Smith Barney directly and Morgan Stanley Smith Barney in turn pays KCM its fee. If KCM's services are terminated or a client withdraws assets from an account, KCM will refund a pro-rata portion of the fee it received from Morgan Stanley Smith Barney.

Fees for institutional and some investment consultant-directed accounts are generally charged quarterly, in arrears, based on the value of the client's account at the end of the quarter or the average of the values at the end of each month during the quarter. An institutional client may terminate the investment advisory contract by providing written notice to KCM. Upon termination, institutional accounts are typically charged a pro-rata daily fee through the termination date based on the value of the account on the termination date. The pro-rated fee is determined as the number of calendar days through the termination date relative to the number of calendar days in the quarter.

In certain situations where KCM acts as a sub-advisor to a commingled fund or pool of assets, its fee may be paid monthly (in arrears) based on the average of the account's daily market values during the relevant period.

KCM and selected clients have entered into performance-based fee arrangements. All such performance fee arrangements are designed to comply with the provisions of Rule 205-3 under the Act. Such performance fees are charged on a minimum time period of one year. To qualify to obtain the performance-based fee, each client must have \$750,000 under management, or have a net worth of \$1,500,000, or is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 at the time the client enters into the performance fee agreement.

Performance-based fee clients should understand that:

This fee arrangement may create an incentive for KCM to make riskier, more speculative investments than would be the case in the absence of a performance fee.

KCM will receive performance fee compensation even though part or all of the gains in an account have been realized.

Performance fees are based on a formula which includes the amount of assets under management and the extent to which the growth in the assets exceeds a specific index.

In general, KCM believes that the appropriate index for use in its performance fee arrangements is the Russell 2000® Index, as the stocks in this index most closely approximate the small cap market from which KCM selects investments. However, upon client request and with KCM's consent, another index may be used as a benchmark for performance fee arrangements.

For the purposes of determining unrealized gains and losses, KCM uses its good faith judgment to value securities for which market quotations are not readily available. Securities whose sale is restricted are priced at a discount similar to publicly-traded securities.

KCM does not sponsor so-called wrap account arrangements in which one fee (generally determined as a percentage of assets under management) is charged for investment advisory, trade execution and other services provided to a client.

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

Schedule F of**Form ADV****Continuation Sheet for Form ADV Part II**

Applicant:

Kennedy Capital Management, Inc.

SEC File Number:

801- 15323

Date:

10/23/2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Kennedy Capital Management, Inc.		IRS Empl. Ident.No.: 43-1225960
Item of Form (identify)	Answer	
	Wirehouse Consulting Accounts As noted above, KCM provides investment management services for two programs sponsored by the Smith Barney Channel of Morgan Stanley Smith Barney: the Select UMA and Fiduciary Services. 1) For the Select UMA, Kennedy offers discretionary investment management services by providing a model Mid Cap Value portfolio to Morgan Stanley Smith Barney which will be implemented for the account of each client who has selected KCM (subject to client restrictions). Morgan Stanley Smith Barney's decisions to purchase, hold or sell securities for the accounts of clients in the Select UMA program will be based on the model portfolio provided by KCM. Morgan Stanley Smith Barney is responsible for obtaining information from each Select UMA client regarding the client's investment objectives, financial information, risk tolerance and any reasonable restrictions imposed on the management of the client's assets. Morgan Stanley Smith Barney is also responsible for determining that the investment portfolio, investment model and investment strategy, provided as part of the Select UMA program, is initially suitable and continues to be suitable for the client. Finally, Morgan Stanley Smith Barney is solely responsible for voting proxies subject to each client's direction and for taking all appropriate steps to comply with anti-money laundering requirements. Clients in the Select UMA compensate Morgan Stanley Smith Barney directly and Morgan Stanley Smith Barney in turn pays KCM its fee. 2) For the Fiduciary Services program, Kennedy offers individually managed separate account services to clients who select KCM to run a Mid Cap Value account. Clients in the Fiduciary Services program compensate Morgan Stanley Smith Barney directly and Morgan Stanley Smith Barney in turn pays KCM its fee. Morgan Stanley Smith Barney is responsible for providing the KCM disclosure statement to its clients whose accounts are to be managed by KCM either at the time, or before, Morgan Stanley Smith Barney enters into an agreement with such clients. Additionally, at least annually thereafter, Morgan Stanley Smith Barney is responsible to offer in writing to such clients, to deliver a current disclosure statement upon request. "Wirehouse consulting accounts" are those referred to KCM by an investment consultant, financial adviser or broker ("wirehouse consultant") affiliated with a wirehouse brokerage firm (e.g., Morgan Stanley Smith Barney). Wirehouse consulting accounts may either be A) arranged such that all fees are bundled under a wrap arrangement (where the client pays one all-inclusive asset-based fee covering custody, transaction costs, the services of the consultant or adviser and KCM's services – "wrap wirehouse accounts"); or B) unbundled where these fees are paid separately by the client ("unbundled wirehouse accounts"). Investment consultants, who have arranged for certain clients to open and maintain one or more accounts with a custodian designated by the client or the consultant, may recommend to such clients that their accounts be managed by KCM. To the extent that such arrangements constitute a type of wrap consulting account or other combined-fee arrangement, the introducing firm has the obligation to make any required disclosures to clients. Clients with such wrap consulting accounts and combined-fee arrangements should contact their wrap program sponsor, broker or investment consultant with respect to the fees for any services other than the investment advisory services provided by KCM. In wirehouse consulting and similar directed brokerage arrangements, client transactions generally are expected to be executed only with the broker-dealer providing custodial and other services. No assurance can be given that transactions executed in accordance with such arrangements result in the best execution available to the client. Depending on a variety of factors, including the amount of the combined fee, the trading activity and the value of custodial and other services, the combined fee may or may not exceed the total cost of such services if obtained separately. Under certain circumstances, KCM may direct certain client securities transactions to a broker or intermediary other than the designated broker or custodian if, in KCM's sole discretion, such direction is in the client's best interest. Securities Purchased From time to time KCM may purchase exchange-listed master limited partnerships with operations in various industries. In its capacity as investment adviser, KCM may purchase equity securities for its clients which are "restricted" within the meaning of Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), or whose sale is otherwise limited. Unless such sale limitations are eliminated by registration of a sale transaction under the Securities Act or the availability of an exemption from the registration requirement, the price at which sale transactions are executed may be different than the market price of the same securities whose sale is not restricted.	
Part II, Item 3.K.		
Part II, Item 3.L.		

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

Schedule F of**Form ADV****Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
Kennedy Capital Management, Inc.	801- 15323	10/23/2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Kennedy Capital Management, Inc.	IRS Empl. Ident.No.: 43-1225960
Item of Form (identify)	Answer
Part II, Item 4.A.(5) & 4.C.(7)	Periodically, KCM may invest in exchange-traded funds ("ETFs"), which own a basket of stocks that track a particular stock market index. Changes in the price of an ETF, before deducting its expenses, track the movement of the associated index relatively closely. ETFs charge their own management fee and other expenses. The principal risks associated with ETFs include the risk that the equity securities in an ETF will decline in value due to factors affecting the issuing companies, their industries or the equity markets generally. KCM may purchase private placements for selected clients. Private placements (generally, securities which cannot be sold absent registration or an exemption therefrom) involve certain risks including the lack of liquidity and objective third party pricing sources. KCM prices equities purchased in private placements and other restricted securities using procedures based on similar publicly-traded securities of the same issuer, discounted for the trading restrictions placed on these investments as follows: 1) Securities whose sale is restricted for less than six months are priced at a 30% discount from a third-party market quote, and 2) Securities whose sale is restricted for greater than six months are priced at a 40% discount from a third-party market quote. Securities purchased in accordance with and which may be resold pursuant to Rule 144A under the Securities Act are not considered restricted securities purchased in private placements for the purposes of these pricing procedures. Investment Philosophy and Process KCM believes that small cap companies offer unique investment opportunities. KCM's investment strategy centers around the belief that the dissemination of accurate and complete information about a company to the investing public improves pricing efficiency. Conversely, when information about a company is not readily available or the information that is available is incomplete or inaccurate, a company's securities may be inefficiently priced. KCM seeks to invest client funds in securities that are trading at a discount because of gaps in information available to the investing public. Such companies are often characterized by poor analyst coverage and low institutional ownership. Attractive investment candidates usually exhibit acceleration in sales and earnings growth, conservative accounting, new product development, high return on invested capital and other strong fundamentals not reflected in the price performance of the security. KCM's research analysts and portfolio managers obtain information about potential investment candidates from many types of public information including, but not limited to, filings with the Securities and Exchange Commission and other federal and state regulatory agencies, financial publications, discussions with corporate management, sell-side analysts, industry reports, court records, press releases and research reports. KCM may periodically purchase stocks based upon the research analysis and recommendations of analysts and brokers at other financial services firms. Employees are encouraged to use KCM's extensive computer technology to evaluate information on potential investment candidates. KCM prohibits its employees from illegally seeking, using, trading upon or disseminating material non-public information as proscribed by law. Small cap companies vary in their focus on effectively disseminating information and analysis to the investing public. Stocks purchased for client accounts may, therefore, have more or less potential for improved dissemination of information and analysis. In addition, market and industry trends may reduce the importance of this characteristic relative to other KCM selection criteria. KCM implements its investment strategy through a variety of products designed to address clients' needs to participate in different segments of the small cap market. Clients may select a "growth" portfolio, a "value" portfolio or a combination of growth and value stocks in a "core" portfolio. Equities are chosen using the same fundamental process regardless of the size of the account; as a result, many of the same stocks are found in both institutional and non-institutional portfolios. KCM requests that its clients identify their investment objectives and restrictions. KCM purchases securities which it believes are appropriate based on each client's investment objectives and investment restrictions, if any. Mid Cap Strategy Key tenets of our investment process for small cap companies are also applied to mid cap companies. We begin with fundamentally strong companies whose return on invested capital exceeds their cost of capital. We focus on companies with the ability to reinvest in their businesses, generating additional growth. Experienced management teams, successful innovations or defendable market niches often characterize these companies. KCM usually sees consistently strong companies increase in size, typically experiencing improved liquidity. This liquidity improves our ability to manage risk. Typically, the weighted average market capitalization of KCM's mid cap stock

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Schedule F of**Form ADV****Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
Kennedy Capital Management, Inc.	801- 15323	10/23/2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Kennedy Capital Management, Inc.		IRS Empl. Ident.No.: 43-1225960
Item of Form (identify)	Answer	
	portfolios will be within 80% of the average market capitalization of their respective (value or growth) Russell Midcap® Index. All Cap Value Strategy KCM recently began to offer a strategy allowing its portfolio manager to acquire undervalued stocks without being limited by market capitalization. KCM's all cap value strategy seeks companies generating cash flow returns on invested capital greater than industry peers, and will generally demonstrate valuations below and growth characteristics at or above those of the benchmark. Typically, the weighted average market capitalization of KCM's all cap value stock portfolios will be within 50% of the average market capitalization of the Russell 3000® Value Index. Sell Discipline KCM believes that the decision to sell a security is equally as important as the decision to purchase a security. The timing of the disposition of securities held in client accounts affects the accounts' ability to maximize gains and minimize losses. KCM generally will sell a company's security when the price reaches a level consistent with KCM's valuation estimates or when fundamentals deteriorate from original expectations. Market liquidity and other trading considerations may also affect the timing of sales. Where the price of a company's securities does not rise to the level which KCM believes is appropriate given the company's fundamentals, KCM analysts and portfolio managers regularly evaluate the relevant data for signs that the initial investment in the company maintains its original characteristics. KCM will generally dispose of the company's securities if KCM determines that a company has a declining rate of reinvestment of cash generated from operations together with (i) decelerating earnings or a decline in the rate of dividend increases; (ii) negative changes in cash flow growth rates; or (iii) significant negative news or changes in its fundamentals. Portfolio Managers Frank Latuda, Jr., CFA, a Vice President, Director, and the Chief Investment Officer, has been the Portfolio Manager for the Small Cap Value I portfolio since 2000 and is the Portfolio Manager for the All Cap Value portfolio and the Mid Cap Value portfolios as well. He also serves as the chairman of the Investment Policy Committee. Frank joined Kennedy Capital as an equity analyst in 1997 and served as Director of Research from 1998 until 2000. He also either managed or co-managed the Mid Cap Value portfolios from 2002 until 2006. Prior to joining Kennedy Capital, he was an analyst with Burns, Pauli, Mahoney Company. Mr. Latuda earned a BS in Electrical Engineering from the University of Notre Dame, as well as an MS in Electrical Engineering and an MBA from the University of Illinois. Donald Cobin, CFA, a Vice President, is the Portfolio Manager for the Small Cap Core portfolio. From 2002 until February 2007, Don was one of five senior investment professionals at Matador Capital Management, a value-focused hedge fund managing long/short equities and limited distressed debt investments. Prior to his tenure at Matador, Don served as Director of Research at Delaware Investments, and prior to that as an investment analyst at Conseco and WR Huff. Mr. Cobin earned a BA from Emory University and an MBA from the Wharton School of the University of Pennsylvania. Timothy Hasara, a Vice President, is the Portfolio Manager for the Micro Cap, Small Cap Value II and Expanded Small Cap portfolios. Prior to joining Kennedy Capital, he was an Information Systems Manager for the office of the Illinois Secretary of State. Mr. Hasara received a BBA in Marketing from the University of Notre Dame and an MS in Management from Johns Hopkins University. Joseph Kinnison, CFA, a Vice President, is the Portfolio Manager for the Small Cap Growth and Mid Cap Growth portfolios. Immediately prior to joining KCM, Joe was a principal and portfolio manager at Tice Asset Management, a long/short hedge fund. For the previous six years, Joe worked for American Express Financial Advisors as an equity analyst in the asset management group, and as short analyst and portfolio manager in the hedge fund group. Joe began his career in 1991 as a securities analyst at Boatmen's Trust Company. He has an MS from the University of Wisconsin-Madison in Finance and Investment Banking, and Joe graduated magna cum laude from Rockhurst College with a BSBA degree in Economics and Finance.	

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**Schedule F of
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Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Kennedy Capital Management, Inc.	801- 15323	10/23/2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Kennedy Capital Management, Inc.		IRS Empl. Ident.No.: 43-1225960
Item of Form (identify)	Answer	
Part II, Item 5	Terrence Raterman, CPA, CFA, a Vice President, is the Portfolio Manager for the Small Cap Select and Select SRI portfolios. Mr. Raterman has extensive experience in the audit, taxation and valuation of closely held companies. Prior to joining Kennedy Capital, he was responsible for management and was a CFO in the railroad and energy industries. Mr. Raterman received a BS in Accounting and Finance and an MS in Economics, with honors, from Southern Illinois University at Edwardsville. Richard Sinise, an Executive Vice President and the Chief Portfolio Manager, is the Portfolio Manager of the Extended Small Cap portfolio. Mr. Sinise co-founded Kennedy Capital and is responsible for investment management activities. Prior to joining Kennedy Capital, he was a chemical engineer at Monsanto Chemical Company. Mr. Sinise received a BS in Chemical Engineering from the University of Illinois. Education and Business Standards KCM generally requires all persons associated with it in professional capacities to have at least a college degree. In addition, a number of KCM employees have substantial industry experience and advanced educational degrees. KCM emphasizes education as essential to the development of its professionals. Accordingly, KCM has adopted incentive programs to encourage its employees to pursue post-graduate-degrees and other professional designations including the Chartered Financial Analyst (CFA) designation from the CFA Institute - formerly known as the Association for Investment Management and Research (AIMR).	
Part II, Item 6	Education and Business Background Name: Randall L. Kirkland, CFA Year of Birth: 1952 Education: BA, summa cum laude, University of North Texas - 1974 MBA, Saint Louis University - 1987 Past 5 Years Employment: Kennedy Capital Management, Inc. President, Chief Executive Officer, Chairman of the Board 2006 - Present Vice President, Director of Client Services 2005 - 2006 Asset Consulting Group Director, Senior Consultant 1992 - 2005 Mississippi Valley Advisors Director of Marketing 1987 - 1992 Name: Stephen A. Mace, JD, CPA, CFA Year of Birth: 1957 Education: BA, summa cum laude, William Jewell College - 1979 JD, University of Missouri - Columbia School of Law - 1982	

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Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Kennedy Capital Management, Inc.	801- 15323	10/23/2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Kennedy Capital Management, Inc.		IRS Empl. Ident.No.: 43-1225960
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	Past 5 Years Employment: Kennedy Capital Management, Inc. Vice President, Chief Operating Officer 2006 - Present Vice President, Chief Compliance Officer 2007 Centurion Alliance, Inc. Managing Director 2000 - 2006 Franklin Templeton Private Client Group Vice President, Portfolio Consultant 1994 – 2000 Name: Frank A. Latuda, Jr., CFA Year of Birth: 1966 Education: BS, University of Notre Dame - 1987 MS, University of Illinois - 1989 MBA, University of Illinois - 1991 Past 5 Years Employment: Kennedy Capital Management, Inc. Vice President, Chief Investment Officer 2006 - Present Vice President, Portfolio Manager 2000 - 2006 Director of Research 1998 - 2000 Equity Analyst 1997 - 1998 Name: Richard H. Sinise Year of Birth: 1951 Education: BS, University of Illinois - 1973 Past 5 Years Employment: Kennedy Capital Management, Inc. Executive Vice President, Chief Portfolio Manager 1993 - Present Executive Vice President, Chief Investment Officer 2005 - 2006	

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Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Kennedy Capital Management, Inc.	801- 15323	10/23/2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Kennedy Capital Management, Inc.		IRS Empl. Ident.No.: 43-1225960
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	Name: Michael D. Bertz, Ph.D., P.E., CFA Year of Birth: 1969 Education: BS, Miami University - 1991 BED, Miami University - 1991 MS, Georgia Institute of Technology - 1994 Ph.D., Georgia Institute of Technology - 1998 Past 5 Years Employment: Kennedy Capital Management, Inc. Director of Research 2007 - Present Research Analyst 2006 - 2007 WR Hambrecht & Company Senior Research Analyst 2004 - 2006 Morgan Keegan & Company Senior Research Analyst 2003 - 2004 Associate Research Analyst 2000-2003 Name: Richard E. Oliver Year of Birth: 1966 Education: BSBA, St. Louis University - 1988 MFN, St. Louis University - 1993 Past 5 Years Employment: Kennedy Capital Management, Inc. Vice President, Chief Financial Officer Corporate Secretary 1994 - Present Compliance Officer 1995 - 1997 Research Coordinator 1993 - 1998 Name: Marilyn K. Lammert Year of Birth: 1950 Education: BA, University of Illinois-Springfield - 1996	

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Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Kennedy Capital Management, Inc.	801- 15323	10/23/2009

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Part II, Item 8.D	Past 5 Years Employment: Kennedy Capital Management, Inc. Vice President, Chief Compliance Officer 2007 - Present U.S. Bancorp Investments, Inc. Vice President, Compliance Principal 2005 - 2007 Vice President, Examination Manager 2000-2005 Pursuant to operating agreements, KCM is the manager of the KCM Small Cap Core Fund, LLC (the "Core Fund") and the KCM Mid Cap Value Fund, LLC (the "Mid Cap Fund"), limited liability companies organized under the Missouri Limited Liability Company Act. KCM serves as the investment adviser to each pursuant to investment advisory agreements and receives a fee for managing the investment portfolios. The Core Fund has one class of interests, Class A. The Mid Cap Fund has both Class A and Class B units, but all current owners (including KCM) own Class A units. KCM may recommend subscriptions for Class A units of the Core Fund, and either Class A or Class B units of the Mid Cap Fund (depending on whether or not the investor who proposes to subscribe to the Mid Cap Fund is a "restricted person" as defined under Rule 5130 of the Conduct Rules of the U.S. Financial Industry Regulatory Authority - FINRA) to its clients who are accredited investors. Subject to an exemption provided by Rule 506 of Regulation D under the Securities Act, the units have not been registered under federal securities laws or under any state securities laws. The Bank of New York Mellon ("BNY Mellon") serves as Custodian to both the Core Fund and the Mid Cap Fund (collectively "the Funds"). BNY Mellon is a national bank subject to the jurisdiction of the Office of the Comptroller of the currency. Services performed by BNY Mellon include (but are not limited to) executing purchases and redemptions of units of the Funds, determining the new asset value per unit of the Funds in accordance with generally recognized valuation procedures, custody of the assets of the Funds, various recordkeeping functions and generating periodic fund statements.	
Part II, Item 9.D. & 9.E.	Conflicts of interest may arise with respect to the actions taken for the accounts of KCM or its officers, directors, employees or affiliates ("Affiliated Persons") or for accounts in which KCM Affiliated Persons may participate, such as a mutual fund for which KCM serves as the sub-adviser. For example, a current member of KCM's board of directors who is not a KCM employee (an outside director) also serves as the general partner of one or more limited partnerships that may invest directly or indirectly in items such as debt and equity securities, private funds and real estate. While certain of KCM's clients may have invested in one or more of such limited partnerships, none of such investments were made by using assets from accounts managed by KCM and such investments were made without consulting KCM. KCM may buy or sell securities for Affiliated Persons or accounts in which its Affiliated Persons may participate that it also recommends to clients, provided that the account is managed consistently with that of all other client accounts managed pursuant to the selected style. In the event Affiliated Persons participate in any of the strategies offered or managed by KCM, a conflict of interest may arise regarding trade execution and/or allocation. See "Methods of Allocation for Purchase and Sale Transactions" below under Part II, Item 13.A for information regarding allocations. KCM may have ongoing relationships with, render services to or engage in transactions with certain client accounts which may have investment goals similar to that of another client. KCM serves, and expects to serve in the future, as investment adviser (or in a similar role) for other client accounts.	
Part II, Item 9	Code of Ethics KCM has adopted a Code of Ethics (the "Code") to establish policies addressing its fiduciary duties to its clients. The Code generally prohibits fraudulent or manipulative practices in connection with client investments. The Code establishes policies regarding personal trading by KCM Access Persons. Specifically, the Code prohibits personal trading in any security (a) being considered for purchase or sale for a client, or (b) which has been purchased or sold for the account of clients in the previous ten (10) business days. In addition, the Code establishes an investment holding period of thirty (30) calendar days, subject to certain exceptions. KCM has implemented procedures designed to ensure compliance with the provisions of the Code, including preapproval of personal securities transactions, quarterly affirmations of compliance and annual holding reports. KCM periodically reviews its personal trading policy in light of industry practices, Securities and Exchange Commission proposals and rules and best practice recommendations of organizations such as the Investment Adviser Association. KCM may alter	

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Item of Form (identify)	Answer	
Part II, Item 10	its personal trading policy with the approval of its Board of Directors. A client may obtain a copy of the Code by writing KCM. Conditions for Managing Accounts KCM does not have absolute minimum requirements for the amount of assets in an account. KCM does have preferred minimum account sizes, which may be waived or lowered in KCM's discretion, as indicated below based on the character of the account. These minimums will generally not apply to wrap or other wirehouse consulting accounts (which tend to have lower thresholds): Institutional Small Cap Accounts – In general, KCM's preferred minimum institutional account size is \$20,000,000 (for strategies, if any, that are open to new investors). Institutional and Individual Mid Cap Accounts - Preferred minimum account size is \$5,000,000. Individual Small Cap Accounts – In general, KCM's preferred individual minimum account size is \$1,000,000 (for strategies, if any, that are open to new investors). Institutional and Individual All Cap Value Accounts – Preferred minimum account size is \$1,000,000 (if the strategy is open to new investors).	
Part II, Item 12	Any client may specify in its advisory agreement or otherwise instruct KCM regarding specific conditions or limitations on the types of investments to be made for its account. Absent such conditions or limitations, KCM's contract typically provides for KCM to exercise general discretionary authority in the management of client accounts, including the securities and amounts of such securities to be purchased or sold, the broker or dealer to be used and the commission rate to be paid. See "Sell Discipline" above under Part II, Item 4.A.(5) & 4.C.(7) for information regarding KCM's decisions to sell securities. Directed Brokerage Clients may direct that a certain portion, or in certain circumstances all, of the transactions for their account (a "directed brokerage account") be executed through one or more broker-dealers (a "directed broker"). In such cases, KCM's policy is that the client must negotiate the commissions or other charges and fees for the clients' transactions with such broker-dealer. With respect to clients who direct execution of transactions through particular broker-dealers, KCM is not responsible for the negotiation of transaction commissions or other related charges or fees. There may be a material disparity in commissions charged directed to brokerage accounts and the accounts of other clients. For this reason, clients who direct KCM to use specified brokers may not receive execution that is comparable to the best execution KCM might obtain on transactions if KCM were free to select its own executing brokers. In addition, KCM may have a potential conflict of interest in advising clients who have instructed KCM to use a directed broker in that such directed broker may not be providing best execution and not trading through that directed broker may jeopardize future referrals to KCM from such firms. KCM includes a written acknowledgement in the investment advisory agreements for new directed brokerage accounts regarding these issues. KCM may be able to include the order of a directed brokerage account with orders of other accounts with the objective of obtaining a better execution for the directed brokerage account if the executing broker will transfer the billing and settlement of such order to the directed broker (generally known as a "step-out"). Reconciliation of the portion of the trade given to a directed broker is done through the clearing process between the two brokers. Under such circumstances the client may incur both a transaction cost for the execution of the trade and a transaction cost for the billing and settlement of the trade. KCM will bunch the trades of directed brokerage accounts only under circumstances in which it considers that executing the order in this manner is in the best interest of the directed brokerage account. KCM includes a written acknowledgement in the investment advisory agreements for new directed brokerage accounts regarding the effect of such step-out transactions on execution costs. Where directed by a Client (other than in a wirehouse consulting account or similar directed brokerage arrangement) in writing to use a particular broker-dealer for transactions in the Client's account, it is KCM's standard policy to use its reasonable best efforts to execute up to 25% of account securities transactions through the broker-dealer specified, where such securities are listed on a primary exchange ("listed securities"), if KCM has determined in its sole discretion that such broker-dealer can provide price and execution at least equal to the	

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Applicant:

Kennedy Capital Management, Inc.

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801- 15323

Date:

10/23/2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Kennedy Capital Management, Inc.		IRS Empl. Ident.No.: 43-1225960
Item of Form (identify)	Answer	
Part II, Item 13.A	price and execution offered by other broker-dealers. KCM cannot commit to direct any specific dollar amount or percentage of trades to any particular broker-dealer due to the nature of its trading, which frequently requires KCM to trade directly with market makers in order to achieve best execution for its clients. It is important to recognize that 25% of transactions in listed securities could represent well below 25% of transactions placed for an account. Therefore, the 25% best efforts target will apply only to the segment of total account transactions that involves listed securities rather than all account transactions placed during a one-year period. As a participating manager in various wirehouse consulting programs, KCM is generally free to place orders in these accounts through brokers of its own choosing. However, since wirehouse consulting clients' fee arrangements generally cover transaction costs only when KCM places orders in these accounts through the wirehouse consulting program sponsor, in most cases KCM will place orders for wirehouse consulting accounts through the sponsor since to do otherwise would likely increase the cost of wirehouse consulting services to the wirehouse consulting clients. When KCM places orders for wirehouse consulting clients through the sponsoring program broker, it will typically do so in a rotational manner, as described below. Soft Dollar Arrangements and Best Execution Except with respect to certain arrangements as disclosed in Items 1D and 13A of this Schedule F, KCM seeks to obtain, on an overall basis, the best execution available for its clients. Additionally, KCM has an obligation to treat all clients fairly with regard to order execution. KCM may consider a number of factors in recommending brokers/dealers to its clients, including, for example, execution capability, commission rates and volume discounts, financial responsibility, reputation, ability to integrate with KCM's existing systems, effectiveness of systems for monitoring client investments and regulatory compliance, research and brokerage products/services (as described below) and responsiveness to KCM. KCM seeks to obtain overall best execution in transactions for its clients and, in recommending broker-dealers to its clients, take into account the value of the research and brokerage products/services of the type contemplated under Section 28(e) of the Securities Exchange Act of 1934, as amended ("Products and Services"), that are provided by broker-dealers. Such Products and Services may either be provided by a broker-dealer, or paid for by a broker-dealer (either by direct or reimbursement payments - in whatever form - or by commissions, mark-ups, mark-downs or credits or by any other means) to be provided by others. The availability of such Products and Services may create a conflict between the interests of the client in obtaining the lowest cost execution and KCM's interest in obtaining such services. Products and Services may be in any form (e.g., written, oral or on-line) and may include research products or services; clearance; settlement; on-line pricing and financial information; access to computerized data regarding clients' accounts; performance measurement data and services; portfolio strategy advice; market, economic and financial information; statistical information; data on the pricing and availability of securities; publications; electronic market quotations; document retrieval services; analyses concerning specific securities, companies, governments or sectors; market, economic, political and financial studies and forecasts; industry and company comments; technical data, recommendations and general reports; quotation services; custody; brokerage; and computer databases. In addition, several brokers through whom KCM executes orders provide proprietary research on general economic trends or particular companies. KCM also periodically obtains opinions from health care providers on the industry in general as well as on specific companies or technologies, and these health care providers may be compensated by a broker-dealer on KCM's behalf. In many cases, third-party research and other services are provided by means of orders executed through brokers unrelated to the provider of research or other services. In recognition of the value of Products and Services provided by a broker-dealer, securities transactions may be effected which cause the client to pay the broker-dealer an amount of commission in excess of the amount of commission another broker-dealer would have charged. KCM does not adhere to any rigid formulas in recommending broker-dealers, but weighs a combination of the preceding criteria. KCM has no fixed internal brokerage allocation procedures designating specific percentages of brokerage commissions to particular firms. If a client does not have an existing custodial relationship, KCM may refer the client to selected broker-dealers. In determining which broker-dealers to recommend, KCM considers various factors which KCM believes are important to the client, such as the quality of trade executions, costs of transactions and the quality of client services. Such broker-dealers may offer KCM investment research, which may be used to service other accounts managed by KCM. Clients utilizing such broker-dealers for trade executions and custodial services may pay a commission in excess of the amount of commission another broker-dealer qualified to effect such transactions would have charged for effecting the same transactions absent the research services.	

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	In recommending broker-dealers to clients, KCM need not solicit competitive bids and does not have an obligation to seek the lowest available transaction cost (e.g., commission cost). It is generally not KCM's practice to negotiate "execution only" transaction costs (e.g., commission rates); thus, KCM's clients may be deemed to be paying for Products and Services provided by the broker-dealer which are included in the transaction charges. When KCM determines that more than one broker-dealer can offer the brokerage and execution services needed to obtain the best available price and most favorable execution, consideration may be given to recommending those broker-dealers which also supply Products and Services that assist KCM in fulfilling its investment advisory responsibilities. KCM's clients may pay higher commission rates than those normally obtained from other broker-dealers. Products and Services may be used by KCM or its affiliates for themselves and/or in servicing some or all of their clients. In addition, some Products and Services may not necessarily be used for a client even though its commission dollars (or other transaction charges) helped to provide for the Products and Services. A client, therefore, may not, in any particular instance, be the direct or indirect beneficiary of the Products or Services provided. In addition, KCM has the capability of purchasing over-the-counter (OTC) stocks for its clients directly from a market maker for whom such a transaction would be a principal transaction. KCM may, alternatively, use brokers to execute orders in OTC stocks on an agency basis, in which case a client may pay both a mark-up or a mark-down and a commission. KCM will utilize brokers to execute OTC transactions when it believes that it is in the client's best interests to do so, either by maintaining the anonymity of the principal or for other reasons connected with the trading situation at the time the trade is placed. As part of its continuing effort to improve investment performance, KCM endeavors to use the most appropriate trading mechanism available at the time each trade is placed. In some instances, KCM may receive Products and Services that may be used for both research/brokerage and non-research/brokerage purposes. In such instances, KCM will make a good faith effort to determine the relative proportion of the Products and Services used for research/brokerage purposes and the relative proportion used for non-research/brokerage purposes. The proportion of the Products and Services attributable to research/brokerage purposes will be paid through brokerage commissions generated by client transactions; the proportion attributable to non-research/brokerage purposes will be paid for or reimbursed by KCM from its own resources. The receipt of "mixed-use" Products and Services and the determination of an appropriate allocation between research/brokerage and non-research/brokerage purposes create a potential conflict of interest between KCM and its clients. Methods of Allocation for Purchase and Sale Transactions It is KCM's policy to seek overall best execution in all trading activities and to allocate purchases and sales of securities fairly among strategies and individual client accounts. For the purposes of this section, percentage ownership means the percentage which the value of a particular stock constitutes in relation to the value of a client's assets with KCM. KCM employs several strategies in managing accounts, and a particular stock may be appropriate for and utilized in more than one strategy. If a stock is held in accounts utilizing different strategies and more than one portfolio manager who holds the stock decides to sell the stock or purchase more of the stock then, to the extent that there is coordination among portfolio managers, sales and purchases are allocated first among strategies in proportion to the amount of stock in the accounts of a strategy relative to the total held by all selling or purchasing strategies and second, within each strategy, as described below. When initiating a new position, shares purchased are generally allocated pro-rata relative to account assets among the clients for whom the stock is being purchased. Within a strategy, accounts may have approximately the same percentage ownership or different percentage ownerships, depending in part on specific account requirements and the manner in which shares were allocated at the time of purchase. If accounts have different percentage ownerships: 1) sales are generally allocated first to the account with the highest percentage ownership and subsequently to other accounts in the order of declining percentage ownership, whereas 2) at the discretion of each portfolio manager, additional purchases may be allocated first to accounts with the lowest percentage ownership and subsequently to other accounts in the order of increasing percentage ownership. Additional information regarding the allocation of purchased shares may be found below, in the section entitled Bunched Orders and Block Transactions/Pro-rata and Random Allocations. If accounts within a strategy have approximately the same percentage ownership, sales and additional purchases are generally allocated pro-rata among such accounts. In the case of sales, the amount of stock initially sold at	

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Item of Form (identify)	Answer	
	the target price may be insufficient to liquidate a significant portion of every account which would otherwise be allocated pro-rata. Therefore, in the portfolio manager's discretion, shares sold may be allocated randomly among accounts, with each selected account being allocated shares sold in an amount sufficient to liquidate a specified portion of the position in such account (which may be the entire position) prior to shares being allocated to another account. This may result in positions in selected accounts being completely liquidated while other accounts continue to hold the stock. Additional information regarding the allocation of purchased shares may be found below, in the section entitled Bunched Orders and Block Transactions/Pro-rata and Random Allocations. Random allocation for purchases and sales is done automatically through KCM's trade order management software system. If in the case of a sale, as a result of such random allocation, only a portion of the position in an account is sold, KCM may manually allocate shares sold in a subsequent block transaction in a fair and equitable manner to completely liquidate the remainder of such position. The allocation of shares sold may also reflect the judgment of the portfolio manager as to the specific needs of an account, such as the need for cash. Allocation of New Issues and Limited Issuances (including private placements) KCM may be allocated shares of equity securities being sold in an initial public offering (a "new issue"). Under FINRA Rules, as they may be amended from time to time (the "Rules"), each client account or investor in a client account, as applicable, must certify to the satisfaction of KCM whether it is a "restricted person," as defined by the Rules, prior to participating in any new issue profits or losses. Any such client account or investor who fails to provide KCM with such certification will be deemed a restricted person and will only be entitled to participate in new issue profits or losses at a reduced level, if at all. KCM's policy provides that a new issue will be allocated among client accounts in the same manner as other purchases of securities, to the extent allowed by the Rules. If the allocated new issue position is large enough, it will be allocated among the accounts as a percentage of the assets in KCM's clients' portfolios, to the extent allowed by the Rules. To the extent allowed by the Rules, random allocations may be used to allocate small new issue positions. Random allocations may result in some clients obtaining the benefits of new issues while others do not. Additionally, KCM may be allocated other securities in limited offerings, including private placements (each, a "Limited Issuance"). KCM's policy provides that a Limited Issuance will be allocated among client accounts in the same manner as other purchases of securities, to the extent allowed by applicable securities laws. If the allocated Limited Issuance position is large enough, it will be allocated among the accounts as a percentage of the assets in KCM's clients' portfolios, to the extent allowed by applicable securities laws. To the extent allowed by applicable securities laws, random allocations may be used to allocate small Limited Issuance positions. Random allocations may result in some clients obtaining the benefits of Limited Issuances while others do not. Bunched Orders and Block Transaction/Pro-rata and Random Allocations KCM may be able to obtain better execution and negotiate more favorable brokerage commissions for its clients by "bunching" orders in the same security with the objective of purchasing a block of stock for various clients. Whenever KCM determines that it is in the client's best interest to bunch client orders, it will attempt to execute the transactions in this manner. Because of prevailing trading activity, it is frequently not possible to receive the same price or execution on the entire volume of securities purchased or sold. When this occurs, the various prices may in KCM's sole discretion be averaged and accounts will be charged or credited with the average execution price as reported to KCM by the broker-dealer through whom the securities were purchased or sold. In such cases, each client that participates in the bunched transaction will share transaction costs on a pro rata basis based upon each client's participation in the transaction. The effect of bunching may operate on some occasions to a client account's advantage or disadvantage. When initiating a new position, shares purchased in bunched transactions are generally allocated pro-rata relative to account assets among the clients for whom the stock is being purchased. Such allocations are subject to adjustment for additional factors, including: 1) cash availability within specific accounts, 2) consideration of the minimum distribution of shares bought for an account, 3) portfolio sector balancing and 4) building the percentage of assets invested in the stock in selected accounts. Allocations may also reflect the judgment of the portfolio manager as to the specific needs of an account, such as raising cash. Additional information regarding the allocation of purchases and sales may be found in the section entitled Methods of Allocation for Purchase and Sale Transactions. KCM portfolio managers generally establish an objective as to the amount of stock in a bunched order to be allocated to each client account, such position generally being expressed as a percentage of the assets in the client's portfolio. The liquidity of some small cap stocks is limited, and the stock initially purchased at the target price may be insufficient to achieve the minimum position objective established by the portfolio manager. In addition, the portfolio manager may believe that enough additional stock may be purchased at the target price to	

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

Schedule F of**Form ADV****Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
Kennedy Capital Management, Inc.	801- 15323	10/23/2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Kennedy Capital Management, Inc.		IRS Empl. Ident.No.: 43-1225960
Item of Form (identify)	Answer	
	achieve the portfolio manager's minimum position for each account through additional purchases. Therefore, in the portfolio manager's discretion, shares of a purchased block may be allocated randomly among accounts with each selected account being allocated the minimum percentage position prior to shares being allocated to another account. Random allocation may also be used to allocate small positions obtained in initial public offerings or Limited Issuance positions. This may result in some accounts not receiving any portion of the stock purchased in a bunched transaction, an initial public offering or a Limited Issuance. This random allocation is done automatically through KCM's trade order management software system. If an account receives only a portion of the minimum percentage position set by the portfolio manager, the trader may manually allocate shares purchased in subsequent block trades to fill the minimum percentage position. Shares allocated in accordance with these procedures are priced based on the average price of the executions as reported to KCM by the broker-dealer through whom the securities were purchased or sold. Trade Rotation and Sequencing When placing orders to buy or sell a security for all accounts pursuing a specific strategy, KCM typically clusters all impacted clients into one of two categories: (1) accounts that grant KCM discretion in selecting how to execute trades ("freely traded"); and (2) accounts that have directed KCM to use specified brokers, including wirehouse consulting accounts where trades are normally placed through the sponsoring broker ("fully directed"). In the absence of unique circumstances, all freely traded accounts are generally traded together (with one spot in the trading rotation) and each broker with which fully directed accounts are traded will have its own spot in the trading rotation. With the exception of the Select accounts, Select SRI accounts and the Small Cap Core accounts (all of which are small cap strategies), KCM randomly rotates the sequence in which orders for each spot in the trading rotation (whether all freely traded accounts together or each individual broker) are placed. An exception exists for accounts in the Select and Select SRI composites, trades for which are randomly rotated between each composite. All Select SRI accounts are freely traded and, in the absence of unique circumstances, are executed together. Once it is the Select composite's turn to trade, trades are randomly rotated among spots within the trading rotation and (in turn) the freely traded Select accounts are also randomly rotated among themselves. Sequencing orders into the market in this manner is an equitable way to address the trading needs of clients who have instructed, and those who have refrained from instructing, KCM to cause transactions to be placed for their accounts. An exception also exists for accounts in the Small Cap Core strategy where the client has instructed KCM to direct its trades to a specific broker, such as the broker the client has selected to custody its account. KCM intends to trade such fully directed accounts after all trading in the same one or more securities has been completed for all the freely traded accounts, although each broker represented among the fully directed accounts will have its own spot in the trading rotation for fully directed accounts. While not always the case, trades executed after other clients' trades (including larger bunched orders) may be executed at less favorable prices than those obtained in the earlier orders. Except in rare circumstances, such transactions will not be bunched with the trades of other accounts in the Small Cap Core strategy. Clients may direct KCM to "step out" transactions; however, fees imposed on these types of trades by a client's selected broker will more than likely be cost-prohibitive. KCM will not be able to negotiate commissions for clients directing their trades to a specific broker and, therefore, the clients' commissions may be higher than those charged on freely traded orders. In addition, KCM will not be able to provide assurances that such clients will receive best execution at their selected broker(s). KCM has entered into an agreement for certain business consulting services with an independent contractor who is also a consultant for one of the broker-dealers used by KCM for trade execution services. In addition, the same broker-dealer provides proprietary research services to KCM which are paid for by means of client commissions. This contractual arrangement has been made by and between the business consultant and KCM, and the broker-dealer is not a party to it. This arrangement has not caused KCM to alter its use of this broker-dealer nor has it caused KCM to commit to or pay additional commissions for client transactions. Additional Compensation for Client Referrals KCM may from time to time compensate persons not affiliated with KCM for client solicitation and referral. KCM's agreements with any such persons require that clients receive disclosure of such solicitation and client referral activities as provided by Rule 206(4)-3 under the Act. KCM has an agreement with certain brokerage firms under which the broker-dealer may solicit clients.	
Part II, Item 13.B.		

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Kennedy Capital Management, Inc.	801- 15323	10/23/2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Kennedy Capital Management, Inc.		IRS Empl. Ident.No.: 43-1225960
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	Reconciliation Data feeds from many of KCM clients' selected custodians are obtained through a third party, and are used to compare custodial data to KCM's client account records as frequently as daily. In some instances, variances may exist between final audited custodial information and the information KCM obtains via such data feeds. KCM has adopted a de minimis standard whereby such variances are noted and aggregated until each month-end, so long as such aggregated variances amount to less than one percent of the prior month-end market value of the account. All such variances are typically reconciled to the applicable account no later than each month-end. Variances of one percent or more will generally be reconciled to the account promptly upon detection. Privacy Policy Kennedy Capital Management has adopted policies and procedures reasonably designed to: (i) collect only the information we need to service a client's account and conduct our investment advisory business; (ii) ensure the security and confidentiality of clients' records and information; (iii) protect against any anticipated threats or hazards to the security or integrity of clients' records and information; (iv) ensure the accuracy of clients' information; and (v) protect against unauthorized access to or use of clients' records or information that could result in substantial harm or inconvenience to any of our clients. We collect and retain personal information about clients from the following sources: (i) information we receive from clients on investment advisory agreements, client information forms, or correspondence (written or electronic) - including, but not limited to, a client's name, address, phone number, tax identification number, assets, income, and date of birth; (ii) other information and documentation that we may collect from a client to verify identity; (iii) custodian account statements; and (iv) information about client transactions with independent broker-dealers including, but not limited to, account number and balance, cost basis information, and other financial information. We do not disclose any non-public personal information about our clients to anyone, except at a client's written request, as required or permitted by law, or as described below. We will adhere to our Privacy Policy even if a client decides to close his/her/its account(s) or become an inactive client. There are times when we must provide specific information to a service company to facilitate the servicing of a client's account. These organizations have a legitimate business need to see some of a client's personal information so we can provide service to our clients. We require that these companies strictly maintain the confidentiality of this information and abide by all applicable laws. We do not sell clients' information. We may disclose the personal information that we collect to the following entities: (i) unaffiliated service providers (for example, banking institutions that may provide services at Kennedy Capital Management's direction); (ii) government agencies, other regulatory bodies, and law enforcement officials for reporting suspicious transactions; and (iii) other organizations, with a client's consent or as directed by a client's representative. We restrict access to clients' non-public personal and account information to those employees who need to know that information in order to provide investment advisory services to our clients. We also maintain physical, electronic and procedural safeguards to guard clients' personal information. A client may obtain a copy of KCM's privacy policy by writing KCM. Proxy Voting Policy Rule 206(4)-6 and rule amendments under the Investment Advisers Act of 1940, which became effective August 6, 2003, are designed to ensure that investment advisers fulfill their fiduciary obligation when voting client proxies. Disclosure requirements include: (i) investment advisers that exercise proxy voting authority for clients must describe the firm's proxy policies and procedures, and upon request, provide clients with a copy of those policies and procedures; and, (ii) advisers must describe how clients may obtain information on how their securities were voted. KCM generally votes proxy ballots for its clients and uses a proxy voting service to help fulfill its voting obligations, although some clients retain voting responsibility. Under certain arrangements, such as the Select UMA offered through the Smith Barney Channel of Morgan Stanley Smith Barney, where KCM is retained as a sub-manager, KCM will not vote proxies for its clients. KCM must make proxy voting decisions solely in the best interests of its clients and may not subordinate the economic interests of its clients to unrelated objectives.	

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Kennedy Capital Management, Inc.	801- 15323	10/23/2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Kennedy Capital Management, Inc.		IRS Empl. Ident.No.: 43-1225960
Item of Form (identify)	Answer	
	Proxy Governance, Inc. ("PGI") provides proxy-related services to KCM which include research, analysis and voting recommendations as well as reporting, auditing and consulting assistance for the handling of proxy voting responsibilities. KCM generally follows the recommendation of PGI, which then forwards the voting record to Broadridge Financial Solutions, Inc. to process. KCM may direct that proxies be voted in a manner different from that recommended by PGI. However, when the interests of KCM conflict with the interests of clients, KCM will follow the recommendation of the proxy voting service. KCM may seek guidance from its board to resolve material conflicts of interest. A client may obtain a copy of KCM's proxy voting policies and procedures or information on the voting history by writing KCM. Anti-Money Laundering Policy To help the government fight the funding of terrorism and money laundering activities, the U.S. Patriot Act and Federal law require financial institutions to obtain, verify, and record information identifying each person who opens an account. Kennedy Capital Management, Inc. supports the fight against money launderers and, prior to opening an account, will ask for information and documentation that will allow us to verify a client's identity. Until the information or documentation we need is provided and until we have verified a client's identity, we may not be able to open an account or provide services to a client. Existing clients' identities will be verified periodically and, if necessary, the account may be closed. Under certain arrangements, such as the Select UMA offered through the Smith Barney Channel of Morgan Stanley Smith Barney where KCM is retained as a sub-manager, KCM will not be responsible for verifying the identities of its clients. While these procedures are not yet required of investment advisers, the development, adoption and implementation of anti-money laundering procedures is clearly considered a best practice for our industry. The U.S. Patriot Act requires the maintenance of records and periodic updating of identity verification. We recognize the importance of safeguarding clients' non-public personal information and are committed to maintaining the confidentiality of the information clients provide in accordance with our Privacy Policy.	

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

Kennedy Capital Management, Inc. Privacy Notice

Keeping your personal information secure and private is important to us. That's why we want you to understand how we protect your privacy when we collect information about you, and the measures we take to safeguard that information.

Protecting Customer Information

Kennedy Capital Management, Inc. ("Kennedy Capital") has adopted policies and procedures reasonably designed to: (i) collect only the information we need to service your account and conduct our investment advisory business; (ii) ensure the security and confidentiality of your records and information; (iii) protect against any anticipated threats or hazards to the security or integrity of your records and information; (iv) ensure the accuracy of your information; and (v) protect against unauthorized access to or use of your records or information that could result in substantial harm or inconvenience to any of our customers.

Categories of Information We Collect

We collect personal information about you from the following sources:

- Information we receive from you on investment advisory agreements, client information forms, or written correspondence (which includes email) - including, but not limited to, your name, address, phone number, tax identification number, assets, income, and date of birth;
- Other information and documentation that we may collect from you to verify your identity;
- Custodian account statements; and
- Information about your transactions with independent broker-dealers including, but not limited to, your account number and balance, cost basis information, and other financial information.

Information We Disclose and Parties to Whom We Disclose

We do not disclose any non-public personal information about you to anyone, except at your written request, as required or permitted by law, or as described below. We will adhere to our Privacy Policy even if you decide to close your account(s) or become an inactive client.

We May Provide Information to Service Your Account

There are times when we must provide specific information to a service company to facilitate the servicing of your account. These organizations have a legitimate business need to see some of your personal information so we can provide service to you. We require that these companies strictly maintain the confidentiality of this information and abide by all applicable laws. We do not sell your information.

We may disclose the personal information that we collect with the following entities:

- Unaffiliated service providers (for example, banking institutions that may provide services at Kennedy Capital's direction).
- Government agencies, other regulatory bodies, and law enforcement officials for reporting suspicious transactions.
- Other organizations, with your consent or as directed by your representative.

Confidentiality and Security

We restrict access to your non-public personal and account information to those employees who need to know that information in order to provide investment advisory services to you. We also maintain physical, electronic and procedural safeguards to guard your personal information.

Kennedy Capital Management, Inc.

Proxy Voting Policy

Rule 206(4)-6 of the Advisers Act sets forth the conditions under which advisers owe a fiduciary obligation with respect to each client for which it exercises investment discretion, including the authority and responsibility to vote proxies. Advisers with proxy voting authority must monitor corporate developments and, where appropriate, vote proxies. In addition, advisers must cast proxy votes solely in the best interest of its clients.

Kennedy Capital Management, Inc. (the “Firm”) has adopted the following policies with respect to voting proxies on behalf of its clients:

1. This written proxy voting policy, which may be updated and supplemented from time to time, will be provided to each client for which the Firm has been delegated the authority or responsibility to vote proxies;
2. Clients will be advised about how to obtain a copy of the proxy voting policy and information about how their securities were voted;
3. The proxy voting policy is consistently applied and records of votes maintained for each client. Exception reports are prepared when proxies are voted other than within the written policy;
4. The Firm documents the reasons for voting, including exceptions;
5. The Firm maintains records of such votes cast and client requests for proxy voting information for inspection by the client or governmental agencies;
6. The Firm monitors such voting for any potential conflicts with the interests of its clients; and
7. The Firm maintains systems to ensure that material conflicts will be resolved prior to voting, documenting in each case that its good faith determination was based on the clients’ best interests and did not result from the conflict.

The Firm votes all proxies from a specific issuer the same way for each client absent specific voting guidelines from a client. Clients are permitted to place reasonable restrictions on the Firm’s voting authority in the same manner that they may place restrictions on the actual selection of account securities. In order to facilitate this proxy voting process, Proxy Governance, Inc. (“PGI”) has been retained as an expert in the proxy voting and corporate governance area to assist in the due diligence process related to making appropriate proxy voting decisions.

Conflicts of Interests

The Firm is an investment adviser to pension plans, public and private companies, mutual funds and individual investors. The management fees collected from such clients are the Firm’s principal source of revenue. With respect to the fees paid to it for advisory

services rendered, conflicts of interest may occur when the Firm must vote on ballot items of the public companies for which it manages the pension plan assets and, in certain cases, the Firm may have a relationship with the proponents of proxy proposals or participants in proxy contests.

To the extent that such conflicts occur, the Firm will generally follow the recommendation of the proxy voting service to ensure that the best interests of its clients are not subordinated to the Firm's interests. The Firm may, in selected matters, disclose conflicts to its board of directors to obtain guidance to vote proxies. Routine matters shall not constitute a material conflict with respect to this procedure.

Consistent with the provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended, the Firm directs execution of client transactions to selected brokers in recognition of their furnishing investment research service. The availability of such research may create a conflict between the interests of the client in obtaining the lowest cost execution and the Firm's interest in obtaining the service.

Proxy Governance, Inc. ("PGI")

PGI is an independent proxy advisory firm and registered investment adviser that specializes in providing a variety of fiduciary level, proxy-related services to institutional investment managers, plan sponsors, custodians, consultants, and other institutional investors. The services provided to the Firm include in-depth research, analysis, and voting recommendations as well as reporting, auditing, and consulting assistance for the handling of proxy voting responsibilities.

PGI also provides the Firm with reports that reflect proxy voting activities of client portfolios. The Firm uses this information for appropriate monitoring of such delegated responsibilities. The Firm may, under soft dollar arrangements, pay for no more than the cost allocated to research services for such uses ("mixed-use" services). The cost of that portion of the services that does not constitute "research" for the purposes of Section 28(e) is reimbursed to the broker-dealer provider.

Management Proposals:

I. When voting on ballot items which are fairly common management-sponsored initiatives certain items are generally, although not always, voted affirmatively.

- "Normal" elections of directors
- Approval of auditors/CPA
- Directors' liability and indemnification
- General updating/corrective amendments to charter

- Elimination of cumulative voting
- Elimination of preemptive rights

II. When voting items which have a potential substantive financial or best interest impact, certain items are generally, although not always, voted affirmatively.

- Capitalization changes which eliminate other classes of stock and voting rights
- Changes in capitalization authorization for stock splits, stock dividends, and other specified needs which are no more than 50% of the existing authorization
- Stock purchase plans with an exercise price of less than 85% of fair market value
- Stock option plans that are incentive-based and not excessive
- Other stock-based plans which are appropriately structured
- Reductions in supermajority vote requirements
- Adoption of anti-greenmail provisions

III. When voting items that have a potential substantive financial or best interest impact, certain items are generally not voted in support of the proposed management-sponsored initiative.

- Capitalization changes which add classes of stock which are blank check in nature or that dilute the voting interests of existing shareholders
- Changes in capitalization authorization where management does not offer an appropriate rationale or that are contrary to the best interest of existing shareholders
- Classified boards of directors
- Anti-takeover and related provisions which serve to prevent the majority of shareholders from exercising their rights or effectively deter appropriate tender offers and other offers
- Amendments to bylaws which would require supermajority shareholder votes to pass or repeal certain provisions

- Reports which are costly to provide or which would require duplicative efforts or expenditures which are of a non-business nature or would provide no pertinent information from the perspective of shareholders
- Restrictions related to social, political, or special interest issues which impact the ability of the company to do business or be competitive and which have a significant financial or best interest impact
- Proposals which require inappropriate endorsements or corporate actions

Active Communications With Corporate Management

The Firm has actively voted against management-sponsored initiatives where appropriate. This is the most direct communication of the fiduciary voters' concerns in some instances. Additional actions can or have included direct meetings with corporate representatives, conference calls, inquiries through third parties and, on occasion, letter writing. Participation in a number of forums where the Firm can meet and discuss issues with corporate representatives includes conferences, seminars, user workshops, and other forums. The Firm provides its policies to each client for which the Firm has been delegated the authority or responsibility to vote proxies and others, upon request.

The Firm has historically, and will in the future, review the proxy process for ERISA funds to have two operative principles:

- Our duty of loyalty: What is the best interest of the fund beneficiaries, are their rights or ability to act being altered by this vote, is it other than beneficial;
- Our duty of prudence: Is the action proposed other than in the long-term financial interest of the fund? If an issue is reviewed and found to be basically "ERISA-neutral," less concern is possibly warranted than when it has a potential substantive adverse financial or best interest impact.

To date, the Firm has been an active shareholder in the context of the proxy process and, when appropriate or necessary, has engaged in conversations with management and/or those who monitor the company. The Firm will continue to carry out a detailed assessment of a company when evaluating areas of concern.

The Firm has not, to date, actively considered filing shareholder proposals or writing letters to companies on a regular basis. These activities and others which could be considered expressions of activism are not under consideration at this time. Should a particular equity company become a concern, the evaluation and voting process will continue to be the first level of monitoring and communication. Participation in national forums and contacts with corporate representatives will also continue. A more individualized approach could evolve if these methods are not satisfactory in the context of a particular company. With numerous stocks to monitor and vote for client portfolios,

the Firm recognizes it is not feasible or appropriate to be in active communication with 100% of companies.

As a result, it is believed that the current use of outside and internal resources to provide some economies of scale and to more quickly identify concerns is an effective and appropriate use of time and assets in the management process. The final and perhaps most valuable tool the Firm can use in the process of being an active and involved fiduciary remains the weight of its vote and, through that vote, we believe we can play a significant role in bringing concerns to corporate management on behalf of our clients.

