

## Strategy Overview

The APA200 Strategy combines a leveraged proportion of the FEAM50 strategy with First Empire Asset Management's proprietary Risk Control Module (RCM). The FEAM50 portfolio strives to select the best 50 large-cap U.S.-listed securities, with an initial equal allocation to each of these securities, regardless of industry, sector, or benchmark weighting. The FEAM50 seeks to achieve positive risk-adjusted returns over an economic cycle. Leveraging the FEAM50 component is designed to capture significant upside potential.

The RCM strives to provide additional risk controls through the selection of twelve statistically globally-diversified and non-correlated Exchange Traded Funds (ETFs). The RCM will provide global diversification with synthetic short characteristics, with the goal of producing significant downside risk protection.

## Model Performance - Supplemental Information\*

As of 9/30/11

	Q	YTD	Annualized			
			1 YR	3 YR	5 YR	Inception**
APA200 (Gross)	-23.37%	-17.04%	-8.46%	1.17%	-1.03%	4.41%
APA200 (Net)	-23.42%	-17.19%	-8.69%	0.92%	-1.27%	4.15%
RLG	-13.14%	-7.20%	3.78%	4.69%	1.62%	2.90%
R200G	-10.33%	-5.18%	5.24%	4.36%	1.70%	2.33%
S&P 500	-13.87%	-8.68%	1.14%	1.23%	-1.18%	2.27%

### Portfolio Manager

**Michael Obuchowski, Ph.D.,**

Managing Director, Chief Investment Officer, Director of Research

### Portfolio Highlights

#### Investment Objective:

The Active Portable Alpha Strategies (APA) aim to achieve high long-term capital appreciation through leveraged investments in large capitalization holdings, with well-controlled risk.

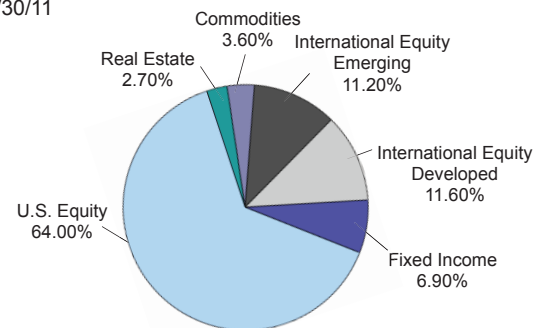
#### Portfolio Structure:

- FEAM50 - 50 initially equally-weighted securities, periodically rebalanced
- RCM – 12 statistically globally-diversified and non-correlated Exchange Traded Funds (ETFs), periodically rebalanced
- ETFs initially equally weighted within RCM
- Typical ratio of 67% FEAM50 strategy and 33% RCM
- FEAM50 component initially leveraged 2:1
- Risk in FEAM50 managed through portfolio structure and strict adherence to a structured investment process
- Liquid, large-cap U.S.-listed equity universe
- Emphasis on globally-competitive companies
- Low portfolio turnover

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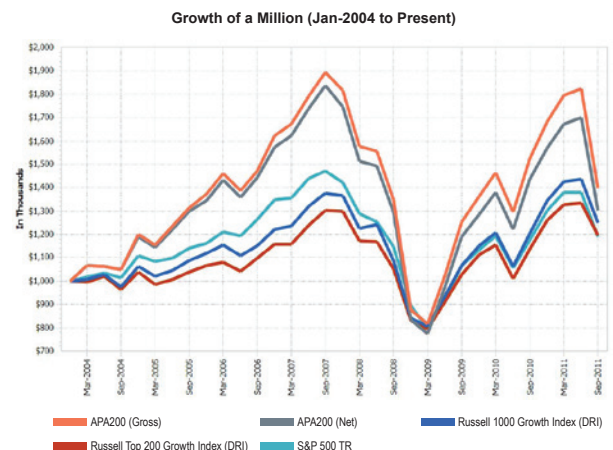
## Model Asset Allocation - Supplemental Information\*

As of 9/30/11



## Growth of \$1MM - Supplemental Information\*

As of 9/30/11



\* This information is presented as supplemental to the information set forth in the Performance Disclosure attached hereto.

\*\* Since Inception Date of December 31, 2003

**Model Portfolio Characteristics  
- Supplemental Information\***

Market Cap Range** (\$ Billions)	% of Equity	# of Holdings
\$0 - \$10	14.00%	7
\$10 - \$50	62.00%	31
\$50 - \$100	12.00%	6
Over \$100	12.00%	6

Portfolio Analytics	RLG	R200G
Annualized Alpha	1.34%	2.19%
Beta	1.464	1.527
R Squared	0.919	0.878
Tracking Error	10.02%	11.46%
Up Capture Ratio	237.54%	276.23%
Down Capture Ratio	113.91%	117.12%

Portfolio Statistics	APA200***	RLG	R200G
Annualized Return	4.41%	2.90%	2.33%
Annualized Standard Deviation	23.96%	15.69%	14.70%
IES	0.18	0.18	0.16
Growth of \$1,000,000	\$1,397,000	\$1,248,000	\$1,195,000


**Portfolio Manager**

**Michael Obuchowski, Ph.D.,**  
Managing Director, Chief Investment Officer,  
Director of Research

**Quarterly Summary**

The third quarter of 2011 will be remembered as one during which companies' fundamentals were overran by political incompetency and fear of a global recession. U.S. politicians' inability to come to a timely agreement on raising the debt ceiling, and their failure to agree on a deficit reduction, coupled with constantly changing statements from conflicted European politicians', resulted in unusual volatility and significant equity market declines. Despite the equity market's abysmal performance and investors' dreary emotions, U.S. consumption continued its recovery and capital goods demand continued to rise. However, a much-needed resolution of the Euro zone sovereign debt crisis remained elusive despite increasing global pressure on European politicians and signs of the Euro crisis affecting global economy.

\* This information is presented as supplemental to the information set forth in the Performance Disclosure attached hereto.

\*\* This data is derived from the FEAM50 component only.

\*\*\* Information provided is gross of fees from 12/31/03 to 9/30/11

**Disclosures**

Model performance results are derived from modeled and/or back tested returns, not an actual client portfolio. One or more clients may have invested in the strategy at varying times. The performance results of any actual clients may have been materially different from the results portrayed in the modeled and/or back tested returns for various reasons including those set forth below. Model performance net returns were calculated using a proposed 1.5% annual fee applied quarterly in arrears and include the reinvestment of all income. The returns for years 2004 and 2005 include pro-rated estimated trading costs for the RCM of \$0.05 per share. Proposed advisory fees for the APA strategies are 1.5%. Actual advisory fees incurred by clients may vary. Fees may be negotiated based on the size of the account or other services that may be required by a particular client. The application of trading costs and other transaction costs (such as wire transfer fees, etc.) may vary based upon each client's directed broker and custodian. Differences in client trading costs will affect each customer's actual returns. The results for years 2004 and 2005 are based on a hypothetical back testing using actual daily returns for the FEAM50 portfolio and daily returns for a selection of 12 global Exchange Traded Funds ("ETFs"). The results for years 2006 to date are based on the performance of a model portfolio. Back tested performance results are hypothetical and are achieved by means of a retroactive application of a model designed with the benefit of hindsight. Such results do not represent the impact that material economic and market factors might have on an investment advisor's decision-making process. These results should not be indicative of the skill of First Empire Asset Management and do not guarantee that similar returns will be achieved in the future. Back tested performance results also have certain inherent limitations, as they do not represent actual investment performance. Model returns do not reflect actual trading and may not reflect the impact that material economic or market factors may have had on First Empire Asset Management's decision making had we actually managed client funds. Sources for data: FEAM, Bloomberg Professional Service, PerTrac Financial Solutions and Advent Axyx. Past performance should not be construed as an indicator of future returns or results. As with any investment vehicle, there is always potential for gains, as well as the possibility of losses.

The Russell 1000® Growth Index (RLG) measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell Top 200® Growth Index (R200G) measures the performance of the especially large-cap segment of the U.S. equity universe represented by stocks in the largest 200 by market cap that exhibit growth characteristics. It includes Russell Top 200 Index Companies with higher price-to-book ratios and higher forecast growth values. The companies are also members of the Russell 1000® Growth Index. The S&P 500 Index (S&P 500) is the Standard & Poor's composite index of 500 stocks, a widely recognized, unmanaged index of common stock prices. Performance for the indices reflected herein includes the reinvestment of dividends. The indices listed herein are unmanaged, and therefore do not have any transaction costs, advisory fees or similar expenses to which a client account would be subject. It is not possible to invest in these indices. The investment strategy of APA200 is not restricted to the securities comprising the indices. The APA200 strategy may not be as diversified as the indices and may experience differing degrees of volatility. At the discretion of the investment advisor, the FEAM50 component may have fewer than 50 portfolio holdings, or be in a portion or all cash or cash equivalent position, due to existing market conditions. The weighting of the portfolio holdings will vary based on market conditions and other factors; however, the strategy will be rebalanced periodically to restore the equal weighting. All information is supplemental to the information set forth in the Performance Disclosure attached hereto.

Performance up to September 30, 2008 was achieved while the Chief Investment Officer, Michael Obuchowski, Ph.D., was at Altanes Investments. Dr. Obuchowski continues to remain the principal investment officer for the composite, and the investment strategy of the composite has not changed in strategies, policies or objectives. This is not an offer or solicitation.

To receive more information or to request a disclosure brochure, please contact Operations at 631-630-2500, or write First Empire Asset Management, 100 Motor Parkway, 2nd Floor, Hauppauge, NY 11788, or info@1empiream.com.

**Performance Disclosures**

Year	Gross of Fees Return (%)	Net of Fees Return (%)	Benchmark Return (%)	Number of Portfolios	Composite Dispersion (%)	Total Composite Assets (\$US)	Total Firm Assets (\$US)
2010	24.66	23.55	16.71	3	0.01	2,124,465	4,253,707,817
2009	54.47	54.40	37.21	2	0.44	843,136	3,584,905,658
2008	-36.23	-36.24	-22.79	3	0.11	551,800	27,632,030

**Compliance Statement**

First Empire Asset Management, Inc. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. First Empire Asset Management, Inc. has been independently verified for the period 9/30/08-12/31/09. The verification report is available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

**Definition of the Firm**

First Empire Asset Management, Inc. ("FEAM") is an investment advisor registered with the U.S. Securities & Exchange Commission under the Investment Advisers Act of 1940. FEAM is a New York corporation and a wholly owned subsidiary of First Empire Holding Company. FEAM manages a variety of assets, including but not limited to equity and fixed income investments, and offers personalized investment services to individual and institutional clients.

**Definition of Investment Strategy**

The APA200 – Active Portable Alpha 200 Composite is a long-biased, leveraged, diversified, large capitalization growth strategy focused on producing high total return with well controlled risk. The Active Portable Alpha Strategies combine a leveraged FEAM50 Large Cap Growth Equity portfolio with a Risk Control Module (RCM) consisting of statistically diversified global Exchange Traded Funds (ETFs). The APA200 – Active Portable Alpha 200 Composite consists of 67% of the FEAM50 Large Cap Growth Equity model and 33% of the RCM. The FEAM50 section is leveraged 2:1 designed to provide significant upside potential. The RCM section provides global diversification with synthetic short characteristics, seeking to offer significant downside protection. The FEAM50 Large Cap Growth Equity strategy utilizes a structured investment process consisting of quantitative screening, bottom-up fundamental analysis and top-down evaluation of future economic activity. The resulting portfolio holdings are those which FEAM believes are characterized by a high level of profitability, growth rates and quality of earnings and trade at a reasonable valuation relative to their expected earnings growth rates.

**Benchmark**

The benchmark is the Russell 1000 Growth Index. The Russell 1000 Growth Index is an unmanaged index that follows the large-cap growth segment of the U.S. equity universe and is constructed to provide a comprehensive and unbiased barometer of the large-cap growth market. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. It includes the reinvestment of dividends and income, but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of

investing. It is not possible to invest in this Index and the APA 200 – Active Portable Alpha 200 Composite is not restricted to the securities comprising the Index. The APA 200 – Active Portable Alpha 200 Composite may not be as diversified as the Index and may experience differing degrees of volatility.

**Fees**

The proposed advisory fee for assets under management is 1.5% per annum payable quarterly in arrears. FEAM's fees may be negotiable based on the size of the account or other services that may be required by a particular client and are subject to a minimum annual fee (which may be waived by FEAM in its sole discretion). FEAM may waive its management fee or charge a lesser management fee for certain clients in its sole discretion based upon certain circumstances as set forth in FEAM's Part II of Form ADV. As of 12/31/2009, 100% of the accounts in the APA 200 – Active Portable Alpha 200 Composite (since inception of the composite) were charged an advisory fee of 1% per annum deducted quarterly in arrears.

**Composites**

The APA200 Composite, which was created on 5/8/2006, contains all fully discretionary accounts managed following the APA200 strategy. The composite included Non-Fee Paying portfolios. Non-Fee Paying portfolios represented 75% of the composite in Q3 2006, 71% in Q4 2006, 90% in Q1 2007, 81% in Q2 2007, 81% in Q3 2007, 90% in Q4 2007, 96% in 2008 and 97% in 2009. As of Q1 2010, all accounts are fee paying accounts. Accounts are included the first business day after they are fully invested. Internal dispersion is calculated using the asset-weighted standard deviation of all portfolios that were included in the composite for the entire year. The three-year annualized ex-post standard deviation of the composite and benchmark are not presented because 36 monthly returns are not available. Gross and net performance returns include the reinvestment of all income. Gross returns are presented gross of management fees and net of all transaction costs. Net returns are presented net of actual management fees charged and net of all transaction costs. Differences in client trading costs will affect each customer's actual returns. The U.S. Dollar is the currency used to express performance. Past performance is no guarantee of future results. There is always the potential for gains as well as the possibility of losses.

**Further Information**

To receive a complete list and description of the firm's composites and or presentations that adhere to the GIPS® standards, contact Operations at 631-630-2500 or write First Empire Asset Management, 100 Motor Parkway, 2<sup>nd</sup> Floor, Hauppauge, NY 11788, or info@1empiream.com. Additional information regarding the firm's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

**\* Note: Please see performance information and disclosures on the strategy sheet attached hereto.**

## Definitions

**Alpha:** A measure of value-added. It measures a manager's return that cannot be attributed to the market. A positive alpha is the extra return earned by a manager for taking additional risk, rather than accepting the market return.

**Annualized Return:** The rate of return, usually expressed as a percentage, that represents the cumulative effect that a series of gains or losses have on an original amount of capital over a period of time. Compound returns are usually expressed in annual terms, meaning that the percentage number that is reported represents the annualized rate at which capital has compounded over time.

**Beta:** The slope of the regression line. Beta measures the risk of a particular investment relative to an index or market. It describes the sensitivity of the investment to market movements. For example, in equities, the stock market is assigned a beta of 1.0. An investment which has a beta of 0.5 will tend to participate in broad market moves, but only half as much as the market overall.

**Coefficient of Determination (R<sup>2</sup>):** A measure of how well the regression line fits the data (variation explained by the regression line). Unexplained variation is simply 1- R<sup>2</sup>.

**Down Capture Ratio:** A measure of the investment's compound return when the benchmark was down, divided by the benchmark's compound return when the benchmark was down. The smaller the value, the better.

**Exchange Traded Funds (ETFs):** Securities that closely resemble index funds, but can be bought and sold throughout the day, just like common stocks. Purchasing ETFs gives an investor a way to mimic the performance of an index or a commodity, without actually having to purchase it. ETFs are generally more tax-efficient than mutual funds, and since they track indexes, they have very low operating and transaction costs associated with them.

**First Empire Asset Management 50 (FEAM50):** A large capitalization growth strategy focused on producing solid risk-adjusted returns over an economic cycle. The FEAM50 strategy utilizes a structured investment process consisting of quantitative screening, bottom-up fundamental analysis, and top-down evaluation of future economic activity. The resulting composite typically consists of 50 equally-weighted holdings, which we believe are characterized by a high-level of profitability and earnings growth rates, high-quality and predictability of earnings, and shares that trade at a reasonable valuation relative to their expected earnings growth rates. At the discretion of the investment advisor, the FEAM50 composite may have fewer than 50 portfolio holdings due to existing market conditions. The weighting of the portfolio holdings will vary based on market conditions and other factors, however, the composite will be rebalanced periodically to restore equal weightings.

**Investment Efficiency Score™ (IES):** A proprietary measure of the efficiency of a given investment, in relation to the amount of risk assumed in making the investment. It allows for the direct comparison of investment products with different risk/return characteristics and is calculated by dividing the annualized return of an investment by its annualized standard deviation. The higher the Investment Efficiency Score is, the more efficient the investment is per unit of risk assumed.

**LTG:** The Long Term Growth Forecasts are received directly from contributing analysts; they are not calculated by Bloomberg's BEst. While different analysts apply different methodologies, the Long Term Growth Forecast generally represents an expected annual increase in operating earnings over the company's next full business cycle. In general, these forecasts refer to a period of between three-to-five years.

**Market Cap:** Represents current monetary value of all outstanding shares stated in USD.

**P/E:** The company's price/earnings ratio, using Bloomberg's BEst next year estimated earnings per share.

**PEG:** Bloomberg's BEst next year estimated P/E ratio, divided by the BEst long-term growth rate.

**Risk Control Module (RCM):** A proprietary multivariate statistical model designed to control risk. RCM is used as a component in the Diversified Global Strategies (DIGS) and the Active Portable Alpha (APA) investment strategies. It is composed of statistically-diversified global Exchange Traded Funds (ETFs) selected on the basis of their low-to-negative correlations to each other and to the FEAM50 component of the portfolio.

**Russell 1000® Growth Index (RLG):** Measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included, and that the represented companies continue to reflect growth characteristics.

**Russell Top 200® Growth Index (R200G):** Measures the performance of the especially large-cap segment of the U.S. equity universe represented by stocks in the largest 200 by market cap that exhibit growth characteristics. It includes Russell Top 200 Index companies with higher price-to-book ratios and higher forecast growth values. The companies also are members of the Russell 1000® Growth Index. The Russell Top 200 Growth Index is constructed to provide a comprehensive and unbiased barometer of this larger-cap growth market. The Index is completely reconstituted annually to ensure new and growing equities are included, and that the represented companies continue to reflect growth characteristics.

**Standard and Poor's 500 Index (S&P):** This index consists of 500 stocks chosen for market size, liquidity and industry group presentation. It is a market value-weighted index with each stock's weight in the index proportionate to its market value. The Index is one of the most widely-used benchmarks of U.S. equity performance.

**Standard Deviation:** A measure of the dispersion of a set of data from its mean. The more spread apart the data is, the higher the deviation. In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility (risk).

**Synthetic Short:** The resulting effect of a long equity position, combined with a long ETF position that has very low-to-negative correlations, both to itself and to the long equity position. This combination is often combined with a loan in the form of margin.

**Tracking Error:** A measure of the unexplained portion of an investment's performance relative to a benchmark. It describes how closely a portfolio follows the index to which it is benchmarked. Annualized Tracking Error is measured by taking the square root of the average of the squared deviations between the investment's returns, and the benchmark's returns, then multiplying the result by the square root of 12.

**Up Capture Ratio:** A measure of an investment's compound return when the benchmark was up, divided by the benchmark's compound return when the benchmark was up. The greater the value, the better.