OCTOBER 9, 2012

"Patience is bitter, but its fruit is sweet."

- **Jean-Jacques Rousseau**

S/A

Dear Investor,

There is a certain pattern developing here. As we discussed in our second quarter letter, European debt fears once again dominated headlines and led to a market sell-off that greatly overstated the change in business fundamentals. And once again, the subsequent quarter proved to be very beneficial to patient investors. Our equity portfolios increased significantly during the third quarter, in fact in excess of the broader S&P 500 index. Over the last four quarters – notwithstanding calls by others for recession, government defaults, and currency breakups – our portfolios have gained nearly 25%. We think it is not coincidental that bearish sentiment was elevated during much of that period.

Of course, a reasonable investor would ask if this strength necessarily means a reciprocal pullback. After all, European monetary issues are far from resolved, the U.S. election lies ahead of us, and the much feared "fiscal cliff" is approaching. More fundamentally, economic growth is anemic and corporate managers are cautious. Every segment of the European economy is weak, and this weakness has rippled through the interconnected economies of Asia and Latin America. The rally, in fact, can be largely attributed to promised stimulus measures that were in response to deteriorating conditions.

As we have stated often in these letters, we focus on the fundamentals that drive business value over time and not on market timing or public sentiment. Tepid economic growth is a factor in our analysis and we have incorporated conservative assumptions to account for this. We also think the budget negotiations and potential outcomes present a unique risk for the economy, and we remain skeptical that further fiscal stimulus is a panacea. Despite these headwinds, we do not believe the recent stock price advances have meaningfully shifted the longer term risk/reward balance of the stocks in our portfolio. In fact, several holdings have not participated in the broader market rally, despite solid business performance. While market prices will continue to bob and weave, the profits continue to compound.

Our Portfolio

We made a few transactions in the portfolio during the third quarter. As discussed in our second quarter letter, we purchased Apple early in the third quarter due to a compelling valuation and the upcoming product cycle. We continue to believe it offers attractive return potential.

Subsequent to the close of the quarter, we made an initial investment in Delphi Automotive. Delphi has both a storied and checkered past. Born as the internal parts supply organization of GM, even once it was spun-out as an independent company Delphi was still largely beholden to GM as a customer and to GM's legacy labor structure and pacts. During a bankruptcy proceeding, Delphi retooled its balance sheet, customer base, and business lines and now offers a very compelling play on both the secular and cyclical growth in the global automotive industry. Please see the Appendix for a continued discussion about Delphi.

Concluding Thoughts

We believe in fundamental investing and that the dynamics of a company are the true drivers of our ultimate return. The free cash flow generated by a business – and how productively that cash flow is used (dividends, share repurchases, acquisitions, or reinvestment for growth) creates a real return to an investor. But these fundamentals do not exist within a vacuum. The global economy and government policy ultimately affect most businesses. These factors do provide context for our fundamental analysis but are never solely responsible for our conclusions.

The challenges facing economies at home and abroad are universally known. We do believe current prices still reflect some pessimism, notwithstanding a strong advance this year. But as optimism continues to build and market prices advance, well researched stock picking will be of even greater importance. We hold, and continue to find a few new, companies that have resilient businesses and are available at good value. Many fared well in the great crisis of 2008, the magnitude of which we do not expect to be repeated. All are faring well in the sluggish economy we are experiencing today. More importantly, we believe that our portfolio will bear significant fruit as the fundamentals outlast impatient sentiment and short term factors.

Sincerely,

Spears Abacus

Appendix

Delphi originated as the internal parts operation of GM and spun-out as an independent company in 1999. However, the independence was in name only, as Delphi was saddled with the same labor structure as GM and relied on GM for over 75% of its revenue. In 2005, Delphi succumbed to the inevitable and filed for bankruptcy. During a four year bankruptcy process, the Delphi business was completely reshaped: product lines were pared from 119 to 33, global headcount was reduced by over 30% and shifted to low cost regions (now 90% of hourly labor is in low cost countries) resulting in hourly labor cost being slashed from $15/hour to $7/hour, auto union contracts were canceled and the related pension liabilities kicked back to GM, and the percentage of revenue from GM was reduced to under 25%. The industry has also changed for the better, and a healthier, more symbiotic relationship exists between the auto producers and their global parts suppliers.

As a result, we believe that Delphi Automotive is very well positioned to benefit from cyclical recovery in auto production in North America and secular growth in auto production in emerging economies. In fact, we believe that Delphi has the opportunity to outgrow their end markets as more of their products that are focused on safety, energy efficiency, emissions reduction and connectivity are included in each vehicle produced. This should allow for better utilization of existing production capacity and attractive incremental margins. Finally, the company has already reduced debt to targeted levels, and we believe that excess cash generated – which looks to be significant – will be returned to shareholders through repurchases and, potentially, a dividend beginning in 2013.

Spears Abacus BeeHive Fund Performance (Net)

2010	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	-2.87%	3.48%	4.59%	0.98%	-7.92%	-4.41%	5.38%	-3.75%	8.77%	4.97%	-0.47%	8.55%	16.90%
S&P 500	-3.60%	3.10%	6.03%	1.58%	-7.99%	-5.23%	7.00%	-4.51%	8.92%	3.81%	0.01%	6.68%	15.06%

2011	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	0.09%	4.57%	1.11%	3.65%	-1.72%	-1.83%	-3.73%	-8.55%	-7.71%	11.38%	-0.94%	0.02%	-5.10%
S&P 500	2.37%	3.43%	0.04%	2.96%	-1.13%	-1.67%	-2.03%	-5.43%	-7.03%	10.93%	-0.22%	1.02%	2.11%

2012	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	6.28%	4.00%	1.31%	-2.24%	-8.30%	3.95%	0.65%	3.40%	2.67%				11.50%
S&P 500	4.48%	4.32%	3.29%	-0.63%	-6.01%	4.12%	1.39%	2.25%	2.58%				16.44%

Annualized Since Inception (9/2/08)	
The BeeHive Fund	4.86%
S&P 500	5.32%

Spears Abacus Municipal Bond Performance (Net)

2010	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
SA Bond Account	0.66%	0.60%	-0.09%	0.59%	0.41%	0.33%	0.85%	1.38%	-0.33%	-0.29%	-1.26%	-0.87%	1.98%

2011	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
SA Bond Account	-0.31%	1.61%	-0.26%	1.19%	0.98%	0.13%	0.80%	1.23%	0.47%	-0.14%	1.46%	1.76%	8.09%

2012	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
SA Bond Account	1.09%	-0.56%	-0.14%	0.74%	0.41%	0.11%	0.89%	0.20%	0.42%				3.92%

Important Note About Spears Abacus Advisors LLC ("SA") Client Newsletters

This letter and the performance information set forth therein should not be relied upon as investment advice. Any mention of particular stocks or companies does not constitute and should not be considered investment recommendations by SA. Any forward-looking statement is inherently uncertain and cannot be relied upon as a statement of actual performance. If you would like to learn more about SA and its investment program, please contact us at www.spearsabacus.com.

The performance information presented here is for informational purposes only and contains confidential and proprietary information. Accordingly, this information may not be disclosed to any other person without the express written consent of SA. SA compiled and calculated this information, which has not been reviewed by any third party. The information reflects the reinvestment of interest and other income. The information provided here may not be indicative of the future performance of SA client accounts. Current performance may be higher or lower. None of the information provided here should be viewed or relied upon as a promise or a representation as to future performance. SA makes no representation, warranty, or other assurance regarding the accuracy or completeness of the information contained here.

Please contact SA if your financial situation or investment objectives have changed in any way or if you wish to impose new restrictions or modify existing restrictions on your accounts. You should be receiving, at least quarterly, a statement from your custodian showing transactions in your accounts. SA urges you to compare your custodial statements to any statements that you receive from SA.

SA BeeHive Fund Performance Information

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment in The BeeHive Fund will fluctuate so that the shares in The BeeHive Fund owned by an investor, when redeemed, may be worth more or less than their original cost. The current performance of The BeeHive Fund may be lower or higher than the performance data quoted. The gross expense ratio of the Fund for 2011 was 1.07%. The adviser has contractually agreed to waive fees and expenses through at least April 30, 2013 so that the net expenses of the fund do not exceed 0.99%. Investors who would like to obtain performance data for The BeeHive Fund that is current to the most recent month-end should call 866-684-4915 (toll free).

The Fund performance information shown is for The BeeHive Fund, a series of Forum Funds, an investment company registered under the Investment Company Act of 1940. The BeeHive Fund, which is managed by SA, seeks capital appreciation by investing in a concentrated portfolio of companies believed to have dynamic businesses with defensible market positions. The BeeHive Fund invests primarily in equity securities. Performance information for The BeeHive Fund is presented for 2010, 2011 and 2012.

The performance information set forth indicates the corresponding return of the Standard & Poor's 500 Total Return Index. The volatility of the S&P 500 Total Return Index (as well as any other index used by SA from time to time) may be materially different from the volatility of The BeeHive Fund. In addition, the securities holdings in The BeeHive Fund differ significantly from the securities that are referenced in the index. The S&P 500 Total Return Index has been selected not to represent an appropriate benchmark to compare results but rather to allow for comparison to the performance of a widely recognized index. SA is not responsible for the accuracy or completeness of any information contained here that was obtained from or compiled by third parties.

Investors should consider the investment objectives, risks, and charges and expenses of The BeeHive Fund carefully before investing. The prospectus and, if available, the summary prospectus of The BeeHive Fund, which may be obtained by telephoning 866-684-4915 (toll free), contain this and other information about The BeeHive Fund. Investors should read the prospectus and, if available, the summary prospectus carefully before investing.

SA Municipal Bond Performance

Municipal bond performance information is presented for 2010, 2011 and 2012. The account to which this performance relates was developed to meet the needs of Abacus & Associates Inc., a multi-generation family office that serves high net-worth individuals of varying ages, financial circumstances, and states of residence. SA manages many other tax-exempt fixed-income accounts for which individual portfolio securities are chosen based on the specific characteristics of the client. Because it is difficult to compare the performance of these highly customized accounts to each other or to an index, SA believes that it would be misleading to aggregate the performance of these customized accounts. Upon request, SA will present a model portfolio for a prospective client that is closely customized to his or her individual needs. Returns for other SA accounts may differ from the information presented here. While the performance is based upon the securities actually held in the account, the information does not represent a model portfolio of securities.