

# PRIMARY FUNDS, LLC

## 2011 FORM ADV PART 2A

NAME OF REGISTERED  
INVESTMENT ADVISOR **PRIMARY FUNDS, LLC**

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DATE **JUNE 1, 2011**

*This brochure provides information about the qualifications and business practices of Primary Funds, LLC. If you have any questions about the contents of this brochure, please contact us by telephone at (415) 464-1830 or by email at [primary@primaryfunds.net](mailto:primary@primaryfunds.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Primary Funds, LLC, is registered with the SEC. However, registration does not imply a certain level of skill or training.*

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

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### ITEM 2 – MATERIAL CHANGES

Our principal place of business moved to the following address since our annual updating amendment was filed on March 28, 2011;

1005 A Street, Suite 408  
San Rafael, CA 94901

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## ITEM 4 – ADVISORY BUSINESS

Primary Funds, LLC, (the “Firm” or “Registrant”) a Delaware limited liability company, has been providing investment advisory services since 2002. The Firm’s headquarters are located at 1005 A Street, Suite 408, San Rafael, CA 94901; telephone (415) 464-1830; facsimile (415) 464-1844; and email [primary@primaryfunds.net](mailto:primary@primaryfunds.net).

Christopher J. Moshy and Timothy F. Madey are principal owners of the Firm and serve as portfolio managers to the Firm’s clients.

**Advisory Services:** Primary Funds, LLC, provides investment advice, investment management and sub-advisory services (collectively referred to as “investment services”) to managed accounts, investment limited partnerships and investment companies (collectively referred to as “Managed Assets”). As of December 31, 2010, the Firm managed approximately \$43 million in Managed Assets, comprised of \$33 million on a discretionary basis and \$10 million on a non-discretionary basis.

An investment account managed by the Firm should be considered a long-term investment. The Firm’s investment strategies are not intended to meet investors’ short-term financial needs or to provide a complete or balanced investment program.

The Firm can offer no assurance that the investment objectives of its clients will be achieved. Many of the investment techniques and activities described in this brochure are high risk activities that could result in substantial losses. For more detailed information about risks associated with the Firm’s investment services, please read the “Risk Factors” section contained in this brochure.

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## ITEM 5 – FEES AND COMPENSATION

Fees and compensation are negotiable and vary, but typically consists of the following components; Primary Funds, LLC, charges a fee for each client's assets under management an annual rate of 1.00% for a discretionary account and 0.50% for a nondiscretionary account. The amount is payable in advance or arrears at the beginning or end (depending on the provisions of each client's account agreement) of each calendar month or quarter based on the net market value of the client's account on the date the fee accrues and becomes payable.

Registrant may charge a retainer fee of up to \$10,000 per year. Registrant believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees than those charged by Registrant.

Managed Asset accounts may be terminated either immediately or by giving 30 days' written notice (depending on the terms of each client's account agreement). Relationships with Registrant's Managed Assets clients are terminable on expiration of the term of the Managed Assets or dissolution of the Managed Assets pursuant to the terms of its Managed Assets agreement or on Registrant's withdrawal as an advisor of Managed Assets. The Registrant has discretion to modify the terms of withdrawal on partner by partner basis. In all cases, expenses, the pro rata portion of the annual fee and the performance fee or allocation through the date of termination are charged to the client. All prepaid but unearned advisory fees are refunded to the client on termination of an account.

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## ITEM 6 – PERFORMANCE-BASED FEES

Performance fees and performance allocations are assessed in arrears on a quarterly or annual basis, and are only applied to profits that exceed the cumulative losses previously incurred by or allocated to the respective clients. For investment limited partnerships a special profit allocation is allocated from each limited partner in the investment limited partnership equal to 20% of net profits (including both realized and unrealized gains and losses) otherwise allocable to that limited partner. Primary Funds, LLC, typically receives from each individually managed

account a performance fee of 20% net of all profits for discretionary accounts and 10% net of all profits for non-discretionary accounts. The Firm has in place several procedures to mitigate conflict of interests between the Firm and its clients. Please see the following Items for further discussion of conflicts of interest: *Risk Factors, Item 11, Item 12, Item 16 and Item 17.*

Registrant complies with Rule 205-3 under the Investment Advisers Act of 1940, as amended, to the extent required by applicable law.

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## ITEM 7 – TYPES OF CLIENTS

Primary Funds, LLC, provides investment advice to Investment Companies, Pooled Vehicles, such as hedge funds, Corporations and other businesses.

Registrant generally requires a minimum of \$10 million to open an individually managed account, but reserves the right to waive this minimum. Limited partners in Registrant's investment limited partnership are required to invest a minimum of \$250,000, but the Firm of such limited partnership reserves the right to waive the minimum.

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## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The investment advice and management services are intended principally to invest in, hold, sell (long or short), trade and otherwise deal in securities and other intangible investment instruments, consisting principally, but not solely, of stocks, options, bonds, notes, bills, warrants, rights, derivatives, foreign currencies and other securities and instruments, most of which are equity securities that are traded in domestic public markets. The Firm seeks to hedge positions and enhance returns from declines in the value of securities by short selling, trading in publicly traded and over-the-counter options and other strategies. The Firm may trade and invest on margin. The Firm may invest in restricted securities, including securities issued by non-public companies.

**Investment Strategy:** The Firm employs a long/short equity investment strategy. The objective is to achieve consistent investment returns with low volatility and moderate correlation to broad equity market indices. The Firm's investment process consists of fundamental research, macroeconomic review, risk management and technical analysis.

The investment process emphasizes fundamental research to estimate the expected growth of a company, the quality of the enterprise and an appropriate valuation for its securities. Analysis of growth is the examination of a company's cyclical and secular business trends, its core competencies, its market opportunities, and the macroeconomic environment. Analysis of quality evaluates the capabilities of a company's management, its incentive systems, profitability of its business model and its ability to finance current and future operations. It also incorporates an intensive review of financial results. Valuation employs various metrics including price-to-earnings ratios, enterprise value-to-income ratios, discounted cash flow and peer group analysis to estimate fair value of a security. The decision to take action on a security is based on the Firm's estimate of its risk-adjusted return relative to current holdings, the security's correlation with those holdings and its contribution to the overall risk profile of a client's Managed Assets.

The timing of a decision to buy, sell, add or trim a position may be influenced by technical analysis. The Firm may run fairly concentrated positions on behalf of its clients. The Firm plans to tilt the Managed Assets sector concentration and, to a lesser degree, the Managed Assets mix of long and short positions, based on its view of company, sector and equity market fundamentals.

**Cash Positions:** When the Firm believes that market or economic conditions justify such actions, the Managed Assets may invest any or all of its assets in money market mutual funds or instruments, government securities, commercial paper or other liquid investments. The Managed Assets may also invest in such instruments pending investment, to meet anticipated withdrawal requests, or to retain the flexibility to respond promptly to changes in market and economic conditions. It is impossible to predict when or for how long the Firm may employ these

strategies. Investment in mutual funds involves payment of the mutual fund's advisory fees and other expenses, in addition to the management fees and other expenses that the Managed Assets bears in connection with its operations.

**Portfolio Turnover:** The Firm's strategies may involve frequent trading. The Managed Assets may liquidate a long position or cover a short position without regard to the length of time the position has been held. The turnover rate of the Managed Assets portfolio is likely to be substantial. The Firm intends to cause the Managed Assets to acquire a given position whenever the Firm believes it will contribute to the objectives of the Managed Assets, even if the same position has only recently been liquidated. The Managed Assets may liquidate a given position, whether at a gain or a loss and without regard for the length of time it has been held, if the Firm believes that such position is not fulfilling its purpose. The Managed Assets annual portfolio turnover rate can be expected to vary from year to year and typically may be as much as 300% or more.

**Other Matters:** The investment objectives and strategies summarized in this document represent the Firm's current intentions. Nevertheless, depending on conditions and trends in securities, industries and trading markets and the economy generally, the Firm may pursue any objectives or employ any philosophy or techniques that the Firm considers appropriate and in the interests of its clients.

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## RISK FACTORS

*Discussed below are some of the risks that investors should consider carefully before engaging Primary Funds, LLC, for investment services.*

**Investment Risks:** The Firm invests substantially all of its clients' available capital (other than capital that the Firm determines to retain in cash or cash equivalents) in securities and short sales of securities, including publicly traded and over-the-counter options. Markets for such instruments in general are subject to fluctuations and the market value of any particular position may be subject to substantial variation. The Firm may invest a portion of its client's assets through private offerings in restricted securities, whether or not securities of the same classes are traded in public markets. Restricted securities usually are subject to substantial holding periods, required under applicable law. In addition, no public market may exist or ever develop for securities issued by private companies in which the Managed Assets may invest. It is highly speculative whether and when an issuer might be willing and able to register its securities so that they become eligible for trading in public markets. Whether or not a public market exists for particular securities, such securities may be or become thinly traded or may cease to be traded after the Managed Assets invest in them. The Managed Assets may not be able to resell, close or cover some of its positions for extended periods, which may be several years, or at all. In addition to being illiquid, securities that the Managed Assets purchases may be issued by unseasoned companies and positions in them may be highly speculative. No assurance can be given that the Managed Assets portfolio will generate any income or will appreciate in value or that the Managed Assets will be able to realize appreciation that may occur.

**Change in Sentiment:** Changes in investor sentiment on the market, an industry or sector, or an individual stock can have pronounced effects on investment prices. Rapid changes in investor sentiment cannot be predicted and can be severe.

**Earnings Surprises:** The Firm cannot assure that the companies in which the Managed Assets invests will report earnings or losses as the Firm expects. The Managed Assets may hold stocks that disappoint earnings expectations and decline rapidly, and the Managed Assets may short stocks that beat earnings expectations and rise rapidly, in both cases producing losses.

**Economic Conditions:** Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, trade relationships, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of the Managed Assets. None of these conditions is or will be within the control of the Firm.

**Natural Disasters, Acts of War and Other Events:** The occurrence of a natural disaster, act of war or other unanticipated negative event may occur without warning and have a substantial negative impact on markets and securities in which the Managed Assets invests. In addition, the Managed Assets may not hold any hedges to offset the possible losses in securities held by the Managed Assets, resulting in material losses.

**Information Sources:** The Firm selects positions for the Managed Assets in part on the basis of information filed by the issuers of securities with the SEC and other regulatory authorities or made available to the Firm by the issuers or by others. The Firm cannot confirm the completeness, genuineness or accuracy of such information, and, in some cases, reliable information is not readily available.

**Technology Companies:** The Managed Assets may invest in (or sell short) securities of companies in the technology sector. Technology companies and industries can be materially and adversely affected by obsolescence of existing technology, rapid product cycles, price changes, new competitive factors and innumerable other business risks. Companies in the technology sector can be highly volatile and extreme losses can occur over very short times.

**Small-Cap and Micro-Cap Investments:** The Managed Assets may invest in (or sell short) securities of small, unseasoned companies. The securities of such companies typically are less actively traded and more volatile than those of larger companies. The Managed Assets might not be able to buy or sell significant positions in such securities at reasonable prices or within reasonable times. These factors could affect the Managed Assets materially and adversely.

**Short Selling, Hedging, Option Trading, Margin and Other Strategies:** The Managed Assets may engage in short sales, hedging, option trading, leverage and other strategies from time to time. The trading of options and other derivatives is highly speculative and may entail risks that are greater than those present when investing in other securities. Prices of derivatives can be and often are more volatile than prices of other securities. The Managed Assets may speculate on market fluctuations of securities and securities indices while investing only a small percentage of the value of the securities underlying the derivatives. A change in the market price of the underlying securities or underlying market index will cause a much greater percentage change in the price of the option contract. In addition, to the extent that the Managed Assets purchases options that it does not sell or exercise, it will suffer the loss of the premium paid in such purchase. To the extent that the Managed Assets sells options and must deliver the underlying securities at the option price, the Managed Assets has a theoretically unlimited risk of loss if the price of such underlying securities increases. To the extent that the Managed Assets must buy the underlying securities, the Managed Assets risks the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option trading include commission payable on the purchase and on the exercise or sale of an option. Stock or index options that may be purchased or sold by the Managed Assets include options not traded on a securities exchange. Options not traded on an exchange are not issued by the Options Clearing Corporation. The risk of nonperformance by the obligor on such an option and the difficulty of disposing of such an option may be substantially greater than in the case of an exchange-traded option issued by the Options Clearing Corporation.

A short sale results in a loss if the price of the securities or option sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that the Managed Assets are required to pay with respect to the borrowed securities. In a generally rising market, the Managed Assets short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a theoretically unlimited risk of loss. To make a short sale, the Managed Assets must borrow the securities being sold short. It may be impossible for the Managed Assets to borrow securities at the most desirable time to make a short sale, particularly in less liquid securities markets. In addition, rules prohibit short sales at prices below the last sale price, which may prevent the Managed Assets from executing short sales at the most desirable times. If the prices of securities sold short increase, the Managed Assets may be required to provide additional funds or collateral to maintain the short positions. This could require the Managed Assets to liquidate other investments to provide additional margin, and such liquidations might not be at favorable prices.

The lender of securities can request return of the borrowed securities and the Managed Assets may not be able to borrow those securities from other lenders. Consequently, this will cause a buy-in of the short position, which may cause the Managed Assets to cover its short position at a disadvantageous price. The Managed Assets may invest on margin and employ other leveraging strategies, which can increase risk of loss and volatility. In addition, margin trading requires the pledge of Managed Assets as collateral, and margin calls can result in the Managed Assets being required to pledge additional collateral or in liquidation of the Managed Assets holdings, which can result in selling, closing or covering portfolio positions at substantial losses that would not otherwise be realized.

The Managed Assets may also lend securities to broker-dealers and other institutions. If the borrower becomes insolvent or bankrupt, the Managed Assets could experience delays and costs in recovering its securities. To the extent that, in the meantime, the value of securities lent declines, the Managed Assets could experience further losses.

The Managed Assets may also enter into repurchase agreements, by which it buys a security and simultaneously agrees to sell it back later at a higher price, or in reverse repurchase agreements, by which the Managed Assets sells a security and simultaneously agrees to buy it back later at a lower price. The repurchase date is usually within 7 days of the initiation of the agreement. If the other party to a repurchase or reverse repurchase agreement becomes insolvent or bankrupt, the Managed Assets may experience delays and incur costs in recovering payment or the securities. To the extent that the value of the security purchased changes in the meantime, the Managed Assets could experience further losses. Repurchase agreements to which the Managed Assets are a party must be fully collateralized by Managed Assets securities. Repurchase and reverse repurchase agreements can have effects similar to margin trading and other leveraging strategies. Such strategies in general can be expected to limit or reduce the potential for profit and increase the Managed Assets transaction costs, interest expense and other costs and expenses. Derivative trading, short sales, hedging, leverage and other techniques and strategies may result in material losses for the Managed Assets.

**Portfolio Turnover:** The Managed Assets may have higher portfolio turnover than many or most other investment funds. The brokerage commissions and other transaction costs incurred by the Managed Assets are generally higher than those incurred by a fund with a lower portfolio turnover rate.

**Dependence on Management:** The Managed Assets success depends on the skill and acumen of Christopher J. Moshy and Timothy F. Madey, the managers of the Firm and the Managed Assets portfolio managers. All decisions regarding the Managed Assets portfolio are made by the Firm. If Mr. Moshy or Mr. Madey should cease to participate in the Managed Assets activities, the Managed Assets ability to select investments and manage its portfolio would be materially and adversely affected.

**Firm's Broad Discretion:** Client agreement typically provide that the Firm has exclusive and absolute discretion and authority in the management and control of the business and affairs of the Managed Assets, subject only to specific and express limitations in the agreement or provided by the Act notwithstanding the agreement. The Firm may exercise this discretion and authority conditionally or unconditionally, arbitrarily, or inconsistently in varying or similar circumstances, without accountability to the Managed Assets.

**Derivative Instruments, Counterparty Risk:** Some of the markets in which the Managed Assets effects its derivative transactions are over-the-counter or interdealer markets. The participants in such markets typically are not subject to credit evaluation and regulatory oversight, unlike members of exchange-based markets. The Managed Assets bear the risk that its counterparty will not settle a transaction in accordance with its terms, because of a credit or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide), because such markets may lack established rules and procedures for settlement of disputes among market participants found in exchange-based markets. These factors may cause the Managed Assets to suffer loss due to adverse market movements while replacement transactions are executed, or otherwise. Such counterparty risk is accentuated for contracts with longer maturities, because events may intervene to prevent settlement, or because the Managed Assets concentrate its transactions with a single or small group of counterparties. These derivative instruments may also be difficult to value accurately. An inaccurate valuation could adversely affect any or all of the Managed Assets.



**Interest Rate Risk:** When the Managed Assets own bonds or other fixed-income securities, it is exposed to interest rate risk. When interest rates rise, prices of bonds and other fixed-income securities decline.

**Option and Bond Volatility:** The Managed Assets have the ability to buy or sell options and convertible bonds. Changes in option and convertible bond volatility are extremely difficult to predict. If the Managed Assets is short options or convertible bonds and the volatility increases, or if the Managed Assets is long options or convertible bonds and volatility declines, the Managed Assets could also be affected materially and adversely.

**Spread Widening:** In arbitrage trading (such as risk arbitrage, merger arbitrage, convertible arbitrage and statistical arbitrage) the Managed Assets is betting that the spread between 2 securities will narrow. If the spread widens after the trade is executed, the Managed Assets will lose. In addition, for an over-the-counter derivative contract or other security that is not traded on an exchange, the spread between the bid and asked prices for the contract may widen, which may affect the Managed Assets materially and adversely.

**Venture Capital Risks:** Investment in non-public securities, for which no public market exists, involves extraordinary business and financial risk and can result in substantial or complete losses. Nonpublic companies in which the Managed Assets invests may be operating unprofitably or with substantial variations in operating results from period to period and may need substantial additional capital to support expansion or to achieve or maintain competitive positions. Such companies may face intense competition, including competition from companies with much greater financial resources, much more extensive development, production, marketing and service capabilities, and a much larger and more experienced staff of managerial and technical personnel. Any non-public company in which the Managed Assets invest may fail.

**Additional Capital Needs:** After making initial investments in non-public companies, those companies may require additional funding. For example, non-public companies are subject to the risk that a proposed service or product cannot be developed successfully with available resources. The development efforts of any non-public company may be unsuccessful or, even if ultimately successful, may not be completed within the budget or time originally estimated. Additional funds may be necessary to complete such development, and such funds may not be available. The Managed Assets may not be willing or able to make follow-on investments. Any decision by the Firm not to make follow-on investments, or the Managed Assets inability to make them, may have substantial adverse effects on nonpublic companies in need of such investment or may result in missed opportunities for the Managed Assets to increase its participation in successful ventures, or may cause a decrease in the value of the Managed Assets portfolio.

**Competition:** Numerous risk capital investors, many or most of which are much larger, better financed and more experienced than the Firm, will be competing with the Managed Assets for desirable investment opportunities. Because of this competition and because of its limited available capital, the Managed Assets might not be able to participate in attractive investments that would otherwise be available to it.

**Extreme Volatility:** Even if stock of a non-public company is sold publicly, the public trading market for such stock may be extremely volatile from day to day or from period to period, as a result of both securities market volatility and substantial variations in company operating results.

**Time Required for Maturity of Investments:** A private company may require substantial time, which may be years from the time that the Managed Assets invests, to reach a state of maturity at which the disposition of outstanding securities can be considered, and frequently requires even longer before such disposition can occur. Distributions should not be expected from non-public companies. The Managed Assets may not realize any return on investment in a non-public company within a reasonable time, or at all.

**Dependence on Other Investors:** The Managed Assets are likely to participate with other investors in investing in non-public securities. In doing so, the Managed Assets are not likely to be the lead investor, which normally controls decisions affecting these investments. Even if the Firm disagrees with any such decision, the Managed Assets is not likely to be able to sell or otherwise liquidate its investment as a result of any such disagreement on terms favorable to the Managed Assets, or at all.



**Portfolio Concentration:** No minimum level of capital is required to be maintained by the Managed Assets. The Managed Assets portfolio may be highly concentrated. As a result of insufficient initial capitalization or subsequent losses or withdrawals, the Managed Assets may not have sufficient funds to implement its objectives or to diversify its investments even to the limited extent desired or currently contemplated by the Firm. No standards have been established to limit the concentration of the Managed Assets portfolio. The market risk and volatility to which a concentrated portfolio is exposed generally is greater than, and may be substantially greater than, the market risk and volatility of a diversified portfolio.

**Lack of Control over Portfolio Issuers:** The Managed Assets may from time to time acquire substantial positions in the securities of particular companies. Nevertheless, neither the Firm nor the Managed Assets is likely to obtain representation on the board of directors or any control over the management of any company in which the Managed Assets invests, and the success of each investment will depend on the ability and success of the management of the portfolio issuer in addition to economic and market factors.

**Inside Information:** Representatives of the Firm may serve as officers or directors of companies in which the Managed Assets invests or contemplates investing, although the Firm does not have any present plan or arrangement to that effect. If that should occur, the Firm (through its representative or otherwise) may receive information that would restrict the Firm's ability to cause the Managed Assets to buy or sell securities of that company for substantial periods of time when profit could otherwise be realized or loss could otherwise be avoided. Thus, any such activity may adversely affect the Managed Assets flexibility with respect to buying or selling securities of any such company.

**Limited Liquidity of Investments:** Some of the Managed Assets positions may be or become relatively or entirely illiquid or may cease to be traded after the Managed Assets invest. The Managed Assets may acquire substantial positions in some securities. In such cases, and in the event of extreme market activity, the Managed Assets may not be able promptly to liquidate its positions if the need should arise. In addition, the Managed Assets sales of some securities could depress the market value of such securities and thereby reduce the Managed Assets profitability or increase its losses. Such circumstances or events could affect materially and adversely the amount of gain or loss the Managed Assets may realize. The Managed Assets may also invest in restricted securities that are subject to substantial holding periods or that are not traded in public markets. Restricted securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. No assurance can be given that any such restricted securities will be eligible to be traded on a public market even if a public market for securities of the same class were to develop. It is highly speculative whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.

**Valuation:** The value of positions that the Managed Assets acquires in restricted or otherwise illiquid securities or over-the-counter options is determined from time to time by the Firm, whether or not a public market exists for securities or options of the same class or type. If the Firm's determination of the value of any such securities proves to be inaccurate, the Firm might receive fees and Special Profit Allocations greater than the fees and Special Profit Allocations to which the Firm would otherwise be entitled. Any inaccuracy also could operate to the benefit or detriment of newly admitted, withdrawing or continuing Limited Partners.

**Illiquidity of Units:** No market for Limited Partnership Units exists or can be expected to develop. It may be difficult or impossible to transfer any Units, even in an emergency. The Agreement generally prohibits any withdrawal by a Limited Partner within a year from that Limited Partner's admission to the Managed Assets. Thereafter, a Limited Partner is not permitted to withdraw capital from such Limited Partner's Capital Account except at the end of a Calendar Month and after 30 days' advance written notice to the Firm and then subject to limitations in amount and other conditions.

**General Risks of Foreign Investments:** The Managed Assets may invest or trade in securities of non-United States companies, which are generally denominated in foreign currencies, in forward foreign currency exchange contracts, and in American Depositary Receipts ("ADRs") traded on United States securities exchanges and representing interests in foreign securities, or in options and other derivatives related to such securities. Such investing and trading involves risks not typically associated with investing in United States companies, including,

among other things, fluctuation in exchange rates of foreign currencies, less public information with respect to issuers of securities, less governmental supervision of foreign issuers of securities, lack of uniform accounting, auditing and financial reporting standards, the possible expropriation of assets or confiscatory taxation by a host government, the possible imposition of foreign taxes, and political risks associated with the countries in which foreign issuers are located. Individual foreign economies may differ unfavorably from the United States economy in growth of gross national product, rates of inflation, rates of savings and capital reinvestment, resource self-sufficiency and balance of payments positions, and in other respects. The Managed Assets may invest and trade in securities of foreign governments (or agencies or subdivisions thereof), and some or all of the foregoing risks may apply to such positions as well.

**Foreign Investment Limitations:** Some of the countries in which the Managed Assets invests or trades may have laws and regulations that preclude or severely restrict direct foreign investment in securities of their companies. Indirect foreign investment may, however, be permitted through investment funds that have been specifically authorized for that purpose. Because of the limited number of authorizations granted in such countries, however, units or shares in most of the investment funds authorized in those countries may at times trade at substantial premiums over underlying asset values. There can be no assurance that any such premium will be maintained and if the restrictions on direct foreign investment in the relevant country were significantly liberalized, the premium might be reduced, eliminated altogether or turned into a discount.

**Foreign Currency Risks:** The Managed Assets may hold cash or may trade in foreign currencies. The Managed Assets may be affected unfavorably by exchange control regulations or changes in the exchange rates between such currencies and the United States dollar.

**Foreign Securities Regulation:** The securities of non-United States issuers, and options or other derivatives related to such securities, held by the Managed Assets are generally not registered with, nor are the issuers thereof subject to, the reporting and other requirements of United States securities laws and regulations. Accordingly, there may be less publicly available information about the securities and about the foreign company or government issuing them than is available about a United States domestic company or government entity. Foreign companies are not generally subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to United States companies. Foreign government supervision of exchanges, brokers and issuers of securities and derivatives is generally less stringent than supervision in the United States.

**Operating Deficits:** The Managed Assets trade securities actively and incur significant brokerage, custody and other transaction costs and expenses. These and other expenses of operating the Managed Assets (including quarterly and other fees and expense reimbursements payable to the Firm) may exceed the Managed Assets income, thereby requiring that the difference be paid out of the Managed Assets capital, reducing the Managed Assets investments and potential for profitability.

**Profit Sharing:** The Firm receives fees for management services and, in some cases, is reimbursed by the Managed Assets for certain expenses and receives a pro rata share of profits and losses based on the Capital Accounts. The Firm also receives, as performance allocations, 20% of quarterly net profit that would otherwise be allocated to each Limited Partner. This Special Profit Allocation is not affected by subsequent losses. Because the Special Profit Allocation is based on net changes in the Managed Assets asset values, the Special Profit Allocation increases the Firm's compensation with regard to unrealized appreciation, as well as realized gains, which compensation would otherwise inure to the Managed Assets.

As a result, the returns realized by the Limited Partners from the Managed Assets activities are substantially less than the returns the Limited Partners would realize from engaging in the same activities directly. The Special Profit Allocation may create incentive for the Firm to cause the Managed Assets to make trades that are riskier or more speculative than would be the case in the absence of special allocations to the Firm based on performance of the Managed Assets.

**Firm's Right to Expel Limited Partners:** The Agreement provides that the General Partner may at any time expel any Limited Partner from the Managed Assets, in which event the expelled Limited Partner will be deemed to have withdrawn entirely from the Managed Assets. Such mandatory withdrawal could result in adverse tax and economic consequences to the expelled Limited Partner.

**Firm's Right to Dissolve the Managed Assets:** Firm may dissolve the Managed Assets at any time. If the Managed Assets become depleted or Unrecouped Losses become significant, and, as a result, the management fees and Special Profit Allocations are reduced, the Firm may elect to dissolve the Managed Assets and distribute its remaining assets.

**No Distributions:** The Firm does not intend to cause the Managed Assets to make distributions to the Limited Partners, but intends instead to reinvest substantially all of the Managed Assets income and gain, if any. Cash that might otherwise be available for distribution is also reduced by payment of Managed Assets obligations (including fees and expense reimbursements payable to the Firm), payment of the Managed Assets expenses and establishment of reserves. As a result, if the Managed Assets is profitable, Limited Partners in all likelihood will be credited with Managed Assets net income, and will incur the consequent income tax liability (to the extent that they are subject to income tax), even though Limited Partners receive no distributions from the Managed Assets.

**Conflicts of Interest:** The Firm may be influenced by significant ongoing conflicts of interest with the Managed Assets.

**Anti-Money Laundering:** If the Firm or any governmental agency believes that the Managed Assets has accepted Subscriptions for Units by, or is otherwise holding assets of, any person or entity that is acting, directly or indirectly, in violation of any United States, international or other anti-money laundering laws, rules, regulations, treaties or other restrictions, or on behalf of any suspected terrorist or terrorist organization, the Firm or such governmental agency may freeze the assets and suspend the withdrawal rights of such person or entity invested in the Managed Assets, and the Managed Assets may be required to remit or transfer the assets of such person or entity invested in the Managed Assets to a governmental agency.

**Tax Considerations:** The tax aspects of an investment in the Managed Assets are complicated and each investor should have them reviewed by professional advisers familiar with such investor's personal tax situation and with the tax laws and regulations applicable to the investor and investment limited Managed Assets. The Managed Assets is not intended and should not be expected to provide any tax shelter, but is organized as a Managed Assets to permit any distributions it might make to be made without being taxed as dividends.

**Liquidation:** If the Managed Assets should become insolvent, the Limited Partners may be required to return with interest any property distributed that represented a return of capital, repay any distributions wrongfully made to them and forfeit any undistributed profits.

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## ITEM 9 – DISCIPLINARY INFORMATION

Primary Funds, LLC, and its members have *not* been subjected to any legal or disciplinary actions, including a) criminal or civil actions; b) administrative proceedings before the SEC or any other regulatory agency; and c) self-regulatory organization proceedings.

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## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Primary Funds, LLC, serves as General Partner to The Primary Fund, L.P. In addition, Primary Funds, LLC, serves as a sub-advisor to an investment company, investment advisors and broker dealers. Through implementation of the Firm's trade allocation policies and Code of Ethics, all clients are treated fairly and equitably.

## ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

The Firm's Statement of Policies and Procedures (the "Statement") addresses the responsibilities of the Employees of Primary Funds, LLC, concerning applicable regulatory, compliance and operational issues. The Statement does not attempt to describe every requirement relating to these activities, but summarizes some of those issues and establishes general policies and procedures that apply to all Employees.

The Firm and its Employees have a fiduciary duty to the Firm's clients and are required to maintain the highest ethical standards and to comply with all applicable federal and state securities laws. Employees must report any violations of this Statement promptly to the CCO.

If an Employee violates any provision contained in this Statement, an Employee may be subject to discipline or sanctions by the Firm at the Firm's sole discretion, including fines, dismissal, suspension without pay, loss of pay or bonus, loss of severance benefits, demotion or other sanctions, whether or not the violation also constitutes a violation of law. Furthermore, the Firm may initiate or cooperate in civil or criminal proceedings against any Employee relating to or arising from any such violation.

The Statement's Introduction and Parts I, II and III of the Statement ("Personal Securities Transactions," "Code of Employee Conduct" and "Insider Trading") constitute the Firm's code of ethics pursuant to Rule 204A-1 under the Advisers Act.

A copy of the Firm's Statement of Policy and Procedures will be provided to its clients upon request.

### Personal Trading Accounts and Reports

1. No later than 10 days after becoming an Employee or receiving this Statement (if the Employee has not received a previous version of the Statement), such Employee must identify to the CCO all of the Employee's and the Employee's Family Members' Proprietary Accounts and must provide to the Firm a Holdings Report disclosing the title, type, number of shares or principal amount (as applicable), and the exchange ticker symbol or CUSIP number (as applicable) of each security in which the Employee or any of the Employee's Family Members has Beneficial Ownership, whether or not in a Proprietary Account. The form of Holdings Report is attached as Exhibit B. This obligation may also be satisfied for each Proprietary Account by attaching brokerage statements of that account current as of forty-five days prior to the date the person became an Employee. The Holdings Report need not disclose shares of open-end investment companies registered under the ICA (mutual funds) that are not affiliated with the Firm (but disclosure of closed-end funds and exchange-traded funds is required), securities issued by the government of the U.S., money market instruments (e.g. bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high-quality short-term debt instruments) and shares of money market funds.
2. Each Employee must advise the CCO and receive authorization before opening any new Proprietary Account.
3. Each Employee must arrange for duplicate copies of all trade confirmations and brokerage statements relating to each of his or her Proprietary Accounts to be sent promptly and directly by the brokerage firm or other financial institution where the Proprietary Account is maintained to the Firm, to the attention of the CCO. In the alternative, Employees may close all Proprietary Accounts and trade only through a Proprietary Account at the Firm's primary broker if the Employee authorizes the primary broker to provide such information to the Firm.
4. For each securities trade by an Employee for which a confirmation is not available or that is not carried out through a brokerage account, such as a private securities transaction, the Employee is responsible for promptly providing the CCO with a written statement of the date, security, nature of

- the transaction, price, parties and brokers or FCMs involved in such trade.
5. Before arranging a personal loan with a broker, FCM, bank or other financial institution that will be collateralized by securities in a Proprietary Account, an Employee or other borrower must obtain the approval of the CCO.
  6. No later than thirty days after the end of each calendar quarter, each Employee must certify to the Firm that he or she has complied with this Statement and give the Firm a report disclosing all securities in which the Employee and the Employee's Family Members have any Beneficial Ownership and complete information regarding each Proprietary Account where such securities are held. Alternatively, the Employee may certify that all such information is in the account statements and confirmations provided to the Firm during that quarter and that as of the date of the certificate, all such information is accurate and complete. If such information is incomplete or inaccurate as of the date of the certification, the Employee must update or correct the information.

#### **Personal Trading Approvals**

No securities transactions for Proprietary Accounts may be effected without the prior written approval of the CCO. This policy applies equally to securities acquired in IPOs and private placements. The CCO must obtain the prior written approval of Timothy F. Madey (the "CCO's Substitute") before effecting any transactions in the CCO's own Proprietary Accounts. Requests and approvals may be submitted and authorized via e-mail.

The CCO or the CCO's Substitute will notify the Employee promptly of approval or denial of clearance to trade. If an Employee receives approval to trade a security (other than an IPO or private placement), he or she must complete that trade on the same business day as that approval. If the trade is not made on that day, the Employee must request approval again.

If a securities transaction for a Proprietary Account occurs on the same day that the Firm executes a trade for a Client Account (either because of a violation of the same-day trading requirement in the prior paragraph or because the Firm decided to execute a transaction later on the same day that the CCO already had approved a securities transaction for a Proprietary Account), the Firm may require the Employee to cancel the transaction for the Proprietary Account or take other action that it deems appropriate to avoid a violation of its fiduciary duty to its clients.

#### **Exception to Pre-Approval Requirement for Specific Types of Securities**

Prior approval is not required to purchase or sell securities issued by any federal, state or local government of the U.S. or by any non-U.S. government, shares of open-end investment companies registered under the ICA (mutual funds) that are not affiliated with the Firm, broad-based exchange traded funds, money market instruments (e.g. bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high-quality short-term debt instruments) and shares of money market funds. The Firm will monitor Employees' investment activity levels to determine whether more stringent trade restrictions are necessary.

#### **Review of Personal Trading Information**

The Firm will review all confirmations, statements and other information to monitor compliance with this Statement. The Firm reserves the right to require an Employee to reverse, cancel or freeze, at the Employee's expense, any transaction or position in a security if the Firm believes such transaction or position might violate this Statement or appears improper. Except as required to enforce this Statement or to participate in any investigation concerning violations of applicable law, the Firm will keep all such information confidential.

#### **Conflicts of Interest with Client Accounts**

Employees must conduct their personal trading in a manner that does not conflict with the interests of any Client Account. Although it is not possible to list all potential conflicts of interest, each of the following acts always is prohibited:

1. Knowingly purchasing securities for Proprietary Accounts, directly or indirectly, without making a good faith determination whether those securities are appropriate for investment by a Client Account and, if they are appropriate, without equitably allocating the investment to Client Accounts first, based on such considerations as available capital and current positions, and then to Proprietary Accounts;
2. Knowingly purchasing or selling securities for Proprietary Accounts, directly or indirectly, in a way that adversely affects transactions in Client Accounts;
3. Using knowledge of securities transactions by a Client Account to profit personally, directly or indirectly, by the market effect of such transactions; and
4. Giving to any person information not generally available to the public about contemplated, proposed or current purchases or sales of securities by or for a Client Account, except to the extent necessary to effect such transactions or with the approval of the CCO.

### **Principal Transactions**

Neither the Firm nor an Employee may engage in principal transactions between a Proprietary Account and a Client Account without first obtaining the prior written approval of the CCO and the written consent of the Client Account.

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## **ITEM 12 – BROKERAGE PRACTICES**

Portfolio transactions for the Managed Assets and for Other Accounts are allocated to brokers on the basis of best execution and in consideration of such brokers' provision of, or payment of the costs of, property or services (such as research services, economic and market information, on-line pricing, portfolio strategy advice, industry and company comments, technical data, recommendations, research conferences, general reports, special execution and block trading and block positioning capabilities, investment strategies, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution, willingness to execute related or unrelated difficult transactions in the future, order of call, on-line access to computerized data regarding Limited Partners' and clients' accounts and other account reporting information and technology, consultations, performance measuring data, and the availability of securities to borrow for short trades and payment of all or part of the Fund's or the Firm's costs and expenses of operation, such as office rent, telephone and utility charges, lines and equipment, office equipment, computer hardware and software, newswire, data processing and quotation equipment and services, periodical subscription fees, supplies, salaries, secretarial, clerical and administrative services and assistance, employee benefits, expenses incurred in visiting companies and attending research conferences (such as, air fare, hotel accommodations and meals), attorneys' and accountants' fees, and custody, recordkeeping and similar services) any or all of which are of benefit to the Firm, its Affiliates, the Managed Assets or the Other Accounts. Accordingly, the Managed Assets may be deemed to be paying for research and other services with "soft" or commission dollars, as well as brokers' returns on principal transactions. Although the Firm believes that the Managed Assets benefits from services obtained with soft dollars generated by the Managed Assets' trading, the Managed Assets does not benefit exclusively. The Firm, its Affiliates and Other Accounts may also derive direct or indirect benefits from some or all of these services. The Firm may also direct the Managed Assets' brokerage transactions to brokers that refer prospective investors to the Managed Assets.

Section 28(e) of the 1934 Act provides a "safe harbor" to an investment manager who uses commission dollars of advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. Conduct outside of the safe harbor afforded by section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. The Firm generally considers the amount and nature of research, execution and other services provided by brokers, as well as the extent to which such services are relied on, and attempts to allocate a portion of the brokerage business of the Managed Assets and the Other Accounts on the basis of that consideration. The Firm currently expects that the services provided or payments made pursuant to any such arrangements with brokers used by the Managed Assets will be within the safe harbor of section 28(e) or otherwise be for expenses of the Managed Assets.



In addition, brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above. A broker is not excluded from receiving business because it has not been identified as providing research services. The investment information and services received from brokers may be used by the Firm in servicing all of the Firm's accounts (including the Managed Assets and the Other Accounts), but not all such information and services may be used by the Firm in connection with the Managed Assets. The Firm believes that such an allocation of brokerage business helps the Managed Assets to obtain research and execution capabilities and provides other benefits to the Managed Assets.

The proposed relationships with brokerage firms that provide soft dollar services to the Firm and its Affiliates may influence the Firm's judgment in allocating brokerage business and may create conflicts of interest in using the services of those brokers to execute the Managed Assets' brokerage transactions. The brokerage fees paid by the Managed Assets benefit the Firm at the expense of the Managed Assets to the extent that the soft dollars are used to pay the Firm's expenses that are not otherwise reimbursable by the Managed Assets. The Firm believes that these proposed relationships are beneficial to both the Firm and the Managed Assets, but Managed Assets transactions executed through these firms or any other brokerage firm may or may not be at the best prices otherwise available.

The Firm may aggregate sale and purchase orders of securities held or purchased by the Managed Assets with similar orders being made simultaneously for Other Accounts if, in the General Partner's judgment, such aggregation is reasonably likely to result in an overall economic benefit to the Managed Assets and the Other Accounts in the aggregate, based on an evaluation that the Managed Assets and the Other Accounts are benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for the Managed Assets is effected contemporaneously with the purchase or sale of like securities for Other Accounts. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the Firm may cause the Managed Assets to be charged or credited the average price of securities purchased or sold in such transactions. As a result, however, the price may be less favorable to the Managed Assets than it would be if similar transactions were not being concurrently executed for Other Accounts.

The Managed Assets' investment and trading program involves frequent and active trading and short-term market considerations are involved. The turnover of the Managed Assets' portfolio (and the concomitant brokerage, custodial and other transaction costs and expenses) is greater than the turnover rates (and transaction costs) of many other types of investment vehicles.

Custody of the assets of the Managed Assets will be with banks or clearing brokers selected by the Firm, which selection may be changed from time to time, or selected by the Firm's clients.

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## ITEM 13 – REVIEW OF ACCOUNTS

The Firm reviews all client accounts on a monthly basis as part of its performance reporting process. The Firm undertakes this process to ensure the accuracy of its performance reporting to clients, track contributions and withdrawals and monitor other factors affecting client assets. Data utilized is derived from the Firm's internal proprietary reports, third-party administrator reports, prime brokerage reports and custodian reports.

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## ITEM 14 – CLIENT REFERRAL AND OTHER COMPENSATION

The Firm engages, from time to time, Servicing Agents to provide certain services to investors and clients that Servicing Agent introduces to Manager, on behalf of it Managed Assets any other investment vehicle or separately-managed account organized, controlled or advised by Manager that pays performance based compensation to the Firm.



The Firm engages Servicing Agents to provide the services in connection with the placement of limited partner interests ("Interests") in Performance Vehicles that are exempt from registration under the U.S. Securities Act of 1933, as amended (the "1933 Act"), and under the securities laws of each state in which Interests are offered and sold, and in connection with the referral of clients desiring separately-managed accounts managed by Manager. Such engagement is on a non-exclusive basis, and Manager may engage other service providers, and Servicing Agent may provide similar services for any other funds or managers, without restriction. No subscription and no separate account agreement shall be effective unless and until it is accepted by Manager, and Manager reserves the right, in Manager's exclusive discretion, to refrain from accepting any subscription submitted or executing any separate account agreement or subsequently to expel or terminate the relationship.

Servicing Agents introduce the Firm only to "accredited investors" as that term is defined in Rule 501 of Regulation D promulgated under the 1933 Act (i) each of whom shall have a net worth in excess of \$1,500,000 and (ii) who reside in states under the laws of which Servicing Agent has been advised by Firm in writing that offers and sales of Interests can be legally made by Manager and in which Servicing Agent is qualified and licensed so to act. Servicing Agents do not engage in any form of general solicitation or advertising in performing Servicing Agents' services.

The Firm typically pays Servicing Agents, as compensation for the services rendered, amounts equal to 20% percent of the management fees and 20% percent of the performance fees paid by clients introduced to the Firm by Servicing Agents. Typically, the Firm does not pay or reimburse Servicing Agent for any out-of-pocket or other expenses incurred or paid by Servicing Agent in connection with Servicing Agent's engagement with the Firm.

Servicing Agents maintain all business and professional licenses, registrations and permits necessary or appropriate, and agree to obtain and maintain any such license, registration or permit that may hereafter become necessary or appropriate, under all applicable laws and regulations to carry on the business contemplated by agreements between the Firm and Servicing Agents. In particular, but without limiting the generality of the foregoing, Servicing Agents are and will be duly licensed or registered as, or as a registered representative or principal of, a broker-dealer in each jurisdiction where such licensing or registration is required. Servicing Agents shall maintain each such license, registration and permit in full force and effect to the extent necessary or appropriate under all applicable laws and regulations to carry on the business contemplated by this Agreement.

Servicing Agents are a registered representative or principal of, a member of the Financial Industry Regulatory Authority ("FINRA"), and such member has consented to Servicing Agent's performance of Servicing Agent's duties under this Agreement pursuant to section 3040 of the Conduct Rules and any other applicable rule of FINRA.

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## ITEM 15 – CUSTODY

The Firm is deemed to have custody of client funds because of the fee deduction authority granted by clients in our investment advisory agreement. Additionally, the Firm as the general partner of investment limited partnerships (the "Private Funds") makes all investment decisions concerning the securities owned by the Private Funds, including the disposition of assets upon the sale of such securities. This authority to withdraw assets of the Private Funds from the custodian of those assets is deemed custody of those assets according to the Securities and Exchange Commission.

Separately managed account clients have the ability to receive account statements at least quarterly from the broker-dealer or other qualified custodian. Clients are urged to compare custodial account statements against statements prepared by the Firm for accuracy. Minor variations may occur because of reporting dates, accrual methods of interest and dividends, and other factors. The custodial statement is the official record of your account for tax purposes.

## ITEM 16 – INVESTMENT DISCRETION

The Firm provides investment advice and management to investment companies, individually managed accounts and investment limited partnerships. The Firm holds a limited power of attorney to act on a discretionary basis with client funds.

The Firm has complete discretion over the selection and amount of securities to be bought or sold without obtaining specific client consent. Because we engage in an investment advisory business and manage more than one account, there may be conflicts of interest over our time devoted to managing any one account and the allocation of investment opportunities among all accounts managed by us. We attempt to resolve all such conflicts in a manner that is generally fair to all of our clients. We may give advice and take action with respect to any of our clients that may differ from advice given or the timing or nature of action taken with respect to any particular client so long as it is our policy, to the extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to other clients. We are not obligated to acquire for any account any security that we or our officers, managers, partners, members or employees may acquire for our or their own accounts or for the account of any other client, if in the absolute discretion of the Firm it is not practical or desirable to acquire a position in such security for that account.

## ITEM 17 – VOTING CLIENT SECURITIES

The Firm instructs each custodian for a Client Account to deliver to the Firm all proxy solicitation materials that the custodian receives for that Client Account. The Firm reviews the securities held in its Client Accounts on a regular basis to confirm that the Firm receives copies of all proxy solicitation materials concerning such securities. The Firm marks each proxy solicitation with the date it is received by the Firm.

After carefully considering proxy solicitation materials and other available facts, the Firm votes all proxies on behalf of Client Accounts, except when it abstains from voting as described below. The CCO or the Lead Analyst make all voting decisions on behalf of a Client Account based solely on the CCO's or Lead Analyst's determination of the best interests of that Client Account. The Firm uses reasonable efforts to respond to each proxy solicitation by the deadline for such response.

The CCO may designate an appropriate Employee to be responsible for insuring that all proxy statements are received and that the Firm responds to them in a timely manner.

1. Company Information. If the Firm is considering voting a proxy, it reviews all proxy solicitation materials it receives concerning securities held in a Client Account. The Firm evaluates all such information and may seek additional information from the party soliciting the proxy and independent corroboration of such information when the Firm considers it appropriate and when it is reasonably available.
2. Proxy Voting Policies.
  - a. The Firm votes FOR a proposal when it believes that the proposal serves the best interests of the Client Account whose proxy is solicited because, on balance, the following factors predominate:
    - i. If adopted, the proposal would have a positive economic effect on shareholder value;
    - ii. If adopted, the proposal would pose no threat to existing rights of shareholders;
    - iii. The dilution, if any, of existing shares that would result from adoption of the proposal is warranted by the benefits of the proposal; and
    - iv. If adopted, the proposal would not limit or impair the accountability of management and the board of directors to shareholders.
  - b. The Firm votes AGAINST a proposal if it believes that, on balance, the following factors predominate:

- (i) If adopted, the proposal would have an adverse economic effect on shareholder value;
    - (ii) If adopted, the proposal would limit the rights of shareholders in a manner or to an extent that is not warranted by the benefits of adoption of the proposal;
    - (iii) If adopted, the proposal would cause significant dilution of shares that is not warranted by the benefits of the proposal;
    - (iv) If adopted, the proposal would limit or impair accountability of management or the board of directors to shareholders; or
    - (v) The proposal is a shareholder initiative that the Firm believes wastes time and resources of the company or reflects the grievance of one individual.
  - c. The Firm abstains from voting proxies when it believes that it is appropriate. This may occur when the Firm believes that a proposal either (i) holds negative but non-quantifiable implications for shareholder value but may express a legitimate concern or (ii) will not have a material effect on the Firm's investment strategy for Client Accounts.
3. Conflicts of Interest. Due to the size and nature of the Firm's operations and the Firm's limited affiliations in the securities industry, the Firm does not expect that material conflicts of interest will arise between the Firm and a Client Account over proxy voting. The Firm recognizes, however, that such conflicts may arise from time to time, such as, for example, when the Firm or one of its affiliates has a business arrangement that could be affected by the outcome of a proxy vote or has a personal or business relationship with a person seeking appointment or re-appointment as a director of a company. If a material conflict of interest arises, the Firm will vote all proxies in accordance with Part VI.A.2. The Firm will not place its own interests ahead of the interests of its Client Accounts in voting proxies.
- If the Firm determines that the proxy voting policies in Part VI.A.2 do not adequately address a material conflict of interest related to a proxy, it will provide the affected Client Account with copies of all proxy solicitation materials that the Firm receives with respect to that proxy, notify that Client Account of the actual or potential conflict of interest and of the Firm's intended response to the proxy request (which response will be in accordance with the policies set forth in Part VI.A.2(b)), and request that the Client Account consent to the Firm's intended response. If the Client Account consents to the Firm's intended response or fails to respond to the notice within a reasonable period of time specified in the notice, the Firm will vote the proxy as described in the notice. If the Client Account objects to the intended response, the Firm will vote the proxy as directed by the Client Account.
4. Shareholder Proposals by the Firm. The Firm may submit a shareholder proposal on behalf of an Investment Fund only if permitted by the Investment Fund's governing documents or by agreement between the Firm and the Investment Fund and if the Firm believes that the proposal would provide a substantial overall benefit to the Investment Fund. The Firm will submit a shareholder proposal on behalf of any other Client Account only at the request of the Client Account or with that Client Account's prior written consent. The Firm will vote any shares in a Client Account on behalf of a proposal submitted by the Firm in accordance with Part VI.A.2, unless otherwise directed by the Client Account.
5. Disclosures to Clients. The Firm includes in Part II of its Form ADV (1) a summary of these policies and procedures relating to proxy voting, (2) an offer to provide a copy of such policies and procedures to clients on request, and (3) information concerning how a client may obtain a report summarizing how the Firm voted proxies on behalf of such client. At the request of a Client Account, the Firm provides that Client Account with a copy of this Part VI and a report summarizing all proxy solicitations the Firm received with respect to that Client Account during the period requested and action taken by the Firm on each such proxy.
6. Proxy Voting Records.
- a. Copies of (i) each proxy statement that the Firm receives regarding securities held in Discretionary Accounts, (ii) a record of each vote the Firm casts with respect to securities in each

Discretionary Account, (iii) any document the Firm creates that is material to the Firm's decision on voting a proxy or that describes the basis for that decision, (iv) each written request from a Discretionary Account for information about how the Firm votes proxies and (v) the Firm's written response to each oral or written request from a Discretionary Account for such information. The Firm may delegate to a third party the duty to receive and keep the records identified in clauses (i) and (ii) of the preceding sentence, if that third party agrees to furnish such records to the Firm promptly on request. The Firm may elect not to keep a copy of a proxy statement if it can obtain such statement electronically via the SEC's EDGAR system.

- b. A written description of the Firm's reasons for deciding to vote a proxy (i) in a manner inconsistent with any general guidelines set forth in this Statement; (ii) when such guidelines call for a case-by-case determination; or (iii) when the Firm has identified a material conflict of interest.

#### **Non-Discretionary Accounts**

The Firm currently has one non-discretionary Client Account. Pursuant to the terms of the Investment Advisory Agreement with that client, the Firm has no authority or responsibility to vote any proxy relating to that Client Account. The Firm therefore promptly forwards any proxy solicitation materials concerning securities held in that non-discretionary Client Account that the Firm receives to that client.

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#### **ITEM 18 – FINANCIAL INFORMATION**

The Firm is not required under Form ADV, Part 2A to disclose financial information. The Firm anticipates that it will be able to meet its financial obligations.