

# Disclosure Brochure

March 23, 2011

## **Palantir Capital Management, Ltd.**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Palantir Capital Management, Ltd. (hereinafter "PCM"). If you have any questions about the contents of this brochure, please contact Cimalie Zoy at (713) 877-0200. 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. Additional information about Palantir Capital Management, Ltd. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Palantir Capital Management, Ltd. is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since PCM's last annual update dated March 24, 2010. PCM does not have any material changes to disclose in this Item.

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## Item 4. Advisory Business

PCM was created on the premise that it is possible to "Manage Wealth across Volatile Markets." The goal of PCM's research and management process is to expand assets consistently while protecting capital in difficult markets. PCM provides financial planning, consulting, and investment management services. Prior to engaging PCM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with PCM setting forth the terms and conditions under which PCM renders its services (collectively the "*Agreement*").

PCM has been in business since 2004. Thomas Samuels is the principal owner of PCM.

PCM has \$79,798,757 of assets under management as of December 31, 2010. \$71,445,034 of these assets are managed on a discretionary basis and \$8,353,723 are managed on a non-discretionary basis.

This Disclosure Brochure describes the business of PCM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of PCM's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on PCM's behalf and is subject to PCM's supervision or control.

### Financial Planning and Consulting Services

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PCM may provide its clients with a broad range of comprehensive financial planning and consulting services. These services include estate planning, retirement planning, education, and insurance planning.

In performing its services, PCM is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. PCM may recommend the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if PCM recommends its own services. The client is under no obligation to act upon any of the recommendations made by PCM under a financial planning or consulting engagement or to engage the services of any such recommended professional, including PCM itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of PCM's recommendations. Clients are advised that it remains their responsibility to promptly notify PCM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising PCM's previous recommendations and/or services.

### Investment Management Services

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Clients can engage PCM to manage all or a portion of their assets on a discretionary or non-discretionary basis.

PCM primarily allocates clients' investment management assets among mutual funds, exchange-traded funds ("ETFs"), and individual equity securities in accordance with the investment objectives of the client. PCM also provides advice about any type of investment held in clients' portfolios.

PCM also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, PCM either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

PCM tailors its advisory services to the individual needs of clients. PCM consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. PCM ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify PCM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon PCM's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in PCM's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### **Sponsor and Manager of Wrap Program**

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PCM is the sponsor and manager of the PCM Wrap Fee Program (the "*Program*"), a wrap fee program. In the event the client participates in the *Program*, PCM provides its investment management services and arranges for brokerage transactions under a single annualized fee. Participants in the *Program* may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. A complete description of the *Program's* terms and conditions (including fees) are contained in the *Program's* wrap fee brochure. Other than the inclusion of transaction charges into the *Program's* fees there are no differences between how PCM manages wrap accounts and non-wrap accounts.

## Item 5. Fees and Compensation

PCM offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management.

### **Financial Planning and Consulting Fees**

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While financial planning and consulting services are often included with the fee charged for PCM's investment management services described below, PCM may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$2,000 to \$10,000 on a fixed fee basis and/or from \$100 to \$200 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages PCM for additional investment advisory services, PCM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging PCM to provide financial planning and/or consulting services, the client is required to enter into a written agreement with PCM setting forth the terms and conditions of the engagement. Generally, PCM requires one-half of the financial planning / consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### **Investment Management and Wealth Management Fee**

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PCM provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by PCM. For assets outside of the *Program*, PCM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. PCM does not, however, receive any portion of these commissions, fees, and costs. PCM's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by PCM on the last day of the previous quarter. The annual fee varies (between 0.80% and 1.50%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

PCM, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), PCM generally recommends that clients utilize the brokerage and clearing services of TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. (“*TD Ameritrade*”) for investment management accounts. PCM participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (“*TD Ameritrade*”), an unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. PCM receives some benefits from *TD Ameritrade* through its participation in the program.

PCM may only implement its investment management recommendations after the client has arranged for and furnished PCM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *TD Ameritrade*, any other broker-dealer recommended by PCM, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to PCM’s fee.

PCM’s *Agreement* and the separate agreement with any *Financial Institutions* authorize PCM to debit the client’s account for the amount of PCM’s fee and to directly remit that management fee to PCM. Any *Financial Institutions* recommended by PCM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to PCM.

## **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between PCM and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. PCM’s fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to PCM’s right to terminate an account. Additions may be in cash or securities provided that PCM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client’s account. Clients may withdraw account assets on notice to PCM, subject to the usual and customary securities

settlement procedures. However, PCM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. PCM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter that exceed 30% of the portfolio value prior to the deposit or withdrawal, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

PCM does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

PCM provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Size**

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As a condition for starting and maintaining a relationship, PCM generally imposes a minimum portfolio size of \$500,000. PCM, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. PCM only accepts clients with less than the minimum portfolio size if, in the sole opinion of PCM, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. PCM may aggregate the portfolios of family members to meet the minimum portfolio size.

## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

### Methods of Analysis

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PCM's primary methods of analysis are fundamental, technical and cyclical analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. PCM will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that PCM will be able to accurately predict such a reoccurrence.

*Cyclical analysis* is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that PCM is recommending. The risks with cyclical analysis are similar to those of technical analysis.

### Investment Strategies

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*Traditional investment strategies work well when the market is going up. What about the rest of the time?*

*Since stocks trend both up and down, shouldn't a comprehensive portfolio strategy be able to perform in both up and down markets?*

PCM's goal is to achieve positive returns every year. While there is no guarantee of success in attaining this goal, PCM believes this absolute return philosophy sets it apart from the vast majority of investment firm's whose performance is based solely on returns relative to a market index.

PCM maintains two primary portfolio strategies. The "Core" portfolio is a global stock/bond strategy which may be hedged when PCM's research indicates enhanced market risk.

The "Income and Growth" strategy emphasizes a higher level of current income while remaining global in nature.

## *Multi-Disciplined Research Process*

PCM's research process is broad based. While many investment firms are wedded to a single methodology, PCM employs multiple analytic techniques and dynamically weight the results in response to the changing character of the market.

Top down and bottom up approaches are considered in combination with fundamental, technical, and cyclical analysis to screen, research, buy, sell and monitor investment candidates and positions.

Institutional (Wall Street) sources combine with research boutiques and specialty firms to create a mosaic of input which PCM completes with interpretation and additional proprietary research.

## *Dynamic Asset Allocation*

If an asset class or investment style is overvalued relative to its historical range, or is otherwise perceived as disadvantaged, why should its weighting in your portfolio stay high? Wouldn't it make sense to reallocate to an asset class with lower valuations, potentially less risk and more profit potential? PCM attempts to add value and lower risk by utilizing a Dynamic Asset Allocation Strategy.

## *Market Risk/Volatility Management*

In up trending markets, the fruits of a robust research process may be sufficient to drive competitive returns. In times of higher market risk and market declines, more sophisticated investment techniques may be employed to avoid and/or control losses.

At PCM, general market risk assessment is constantly maintained. This risk assessment facilitates volatility management and puts a backdrop on appropriate investment themes and portfolio position weights. Factors influencing the assessment of market risk include various measures of stock, bond, and sector valuation, economic fundamentals, political trends, sentiment, and technical factors.

A high risk assessment does not automatically lead to defensive action, but biases interpretation of other analysis. The opposite is true of a low market risk assessment.

## *Portfolio Construction*

Mutual funds, Exchange Traded Funds (ETF's), and Stocks are the tools employed to build client portfolios.

Since PCM investment models attempt to identify opportunities in investment themes, asset classes, and investment styles, it is advantageous to access the best research teams and traders in these specific niches. PCM believes that mutual funds provide that opportunity.

"Contra market" or "inverse" mutual funds may be used to help manage risk and volatility. PCM utilizes these funds because it believes they do not expose the client to the risks inherent with margin calls from short or derivative positions.

ETF's are used when an index position is perceived as equally or more rewarding than active management and to minimize expenses.

Stocks target special opportunities or an investment theme that is too specific for implementation with a fund or index. PCM's Income & Growth portfolio typically maintains an enhanced percentage of stocks verses the Core strategy.

### *Sell Discipline*

PCM employs a strict sell discipline to attempt to control losses and protect gains.

### *Tax Management*

Losses are harvested in tax sensitive accounts. PCM seeks dividends that qualify for favorable tax treatment and long term capital gains, but PCM's approach should be considered tax sensitive rather than truly "tax managed".

## **Risks of Loss**

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### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares

or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Market Risks*

The profitability of a significant portion of PCM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that PCM will be able to predict those price movements accurately.

*Use of Margin* To the extent that a client authorizes the use of margin, and margin is thereafter employed by PCM in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to PCM will not be increased.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## **Item 9. Disciplinary Information**

PCM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. PCM does not have any required disclosures to this Item.

## **Item 10. Other Financial Industry Activities and Affiliations**

PCM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. PCM does not have any required disclosures to this Item.

## Item 11. Code of Ethics

PCM and persons associated with PCM ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with PCM's policies and procedures.

PCM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by PCM or any of its associated persons. The *Code of Ethics* also requires that certain of PCM's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in PCM's *Code of Ethics*, none of PCM's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of PCM's clients.

When PCM is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when PCM is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact PCM to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, PCM generally recommends that clients utilize the brokerage and clearing services of *TD Ameritrade*.

Factors which PCM considers in recommending *TD Ameritrade* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *TD Ameritrade* enables PCM to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *TD Ameritrade* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by PCM's clients comply with PCM's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where PCM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. PCM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other *Financial Institutions* with whom PCM and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. PCM periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct PCM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and PCM will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by PCM (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, PCM may decline a client's request to direct brokerage if, in PCM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless PCM decides to purchase or sell the same securities for several clients at approximately the same time. PCM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among PCM's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among PCM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent

that PCM determines to aggregate client orders for the purchase or sale of securities, including securities in which PCM's *Supervised Persons* may invest, PCM generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. PCM does not receive any additional compensation or remuneration as a result of the aggregation. In the event that PCM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, PCM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist PCM in its investment decision-making process. Such research generally will be used to service all of PCM's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because PCM does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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PCM may receive from *TD Ameritrade*, without cost to PCM, computer software and related systems support, which allow PCM to better monitor client accounts maintained at *TD Ameritrade*. PCM may receive the software and related support without cost because PCM renders investment management services to clients that maintain assets at *TD Ameritrade*. The software and related systems support may benefit PCM, but not its clients directly. In fulfilling its duties to its clients, PCM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that PCM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence PCM's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

There is no direct link between PCM's participation in the program and the investment advice it gives to its clients, although PCM receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. Additionally, PCM may receive the following benefits from *TD Ameritrade* through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

These products or services may assist PCM in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help PCM manage and further develop its business enterprise. The benefits received by PCM's participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by PCM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence PCM's recommendation of *TD Ameritrade* for custody and brokerage services.

## Item 13. Review of Accounts

For those clients to whom PCM provides investment management services, PCM monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom PCM provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of PCM's investment adviser. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with PCM and to keep PCM informed of any changes thereto. PCM contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom PCM provides investment advisory services will also receive a report from PCM that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance from time to time as agreed upon. Clients should compare the account statements they receive from their custodian with those they receive from PCM.

Those clients to whom PCM provides financial planning and/or consulting services will receive reports from PCM summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by PCM.

## Item 14. Client Referrals and Other Compensation

PCM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, PCM is required to disclose any direct or indirect compensation that it provides for client referrals.

If a client is introduced to PCM by either an unaffiliated or an affiliated solicitor, PCM may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from PCM's investment management fee, and does not result in any additional charge to the client. If the client is introduced to PCM by an unaffiliated solicitor, the solicitor provides the client with a copy of PCM's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of PCM discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of PCM's written disclosure brochure at the time of the solicitation.

## Item 15. Custody

PCM's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize PCM through such *Financial Institution* to debit the client's account for the amount of PCM's fee and to directly remit that management fee to PCM in accordance with applicable custody rules.

The *Financial Institutions* recommended by PCM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to PCM. In addition, as discussed in Item 13, PCM also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from PCM.

## Item 16. Investment Discretion

PCM may be given the authority to exercise discretion on behalf of clients. PCM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. PCM is given this authority through a power-of-attorney included in the agreement between PCM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). PCM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Financial Institutions* to be utilized.

## Item 17. Voting Client Securities

PCM may vote client securities (proxies) on behalf of its clients. When PCM accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in PCM's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in PCM's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact PCM to request information about how PCM voted proxies for that client's securities or to get a copy of PCM's Proxy Voting Policies and Procedures. A brief summary of PCM's Proxy Voting Policies and Procedures is as follows:

- PCM has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to PCM's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, PCM devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct PCM's vote on a particular solicitation but can revoke PCM's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that PCM maintains with persons having an interest in the outcome of certain votes, PCM takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

PCM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, PCM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. PCM has no disclosures pursuant to this Item.

**Palantir Capital Management, Ltd.**

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