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**February 22, 2012**

**Form ADV, Part 2A Brochure**

This brochure provides information about the qualifications and business practices of Nakoma Capital Management LLC (“Adviser”). If you have any questions about the contents of this brochure, please contact us at (608) 831-8814 or [admin@nakomacapital.com](mailto:admin@nakomacapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Nakoma Capital Management is an SEC-registered investment adviser. This registration does not imply a certain level of skill or training.

Additional information about Nakoma Capital Management is available to the public on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2. SUMMARY OF MATERIAL CHANGES**

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In 2010, the Securities and Exchange Commission (“SEC”) amended the disclosure document that Nakoma provides to clients as required by SEC Rules. This Brochure has been prepared according to the new SEC requirements and rules, which require disclosure on specific topics in a specific format using easy-to-understand, everyday words.

This Summary of Material Changes, which contains information on any material changes that have been made to the Brochure since our last annual update, will be provided to our clients each year within 120 days of the end of our fiscal year with an offer to receive a complete copy of our Form ADV free of charge.

As with all firm documents, clients and prospective clients are encouraged to review this Brochure in its entirety and to ask questions at any time prior to or throughout the engagement.

### **Summary of Material Changes**

Since our last filing on March 28, 2011, we have made the following material changes to our Form ADV Part 2A:

- Deleted references to the Mutual Fund previously managed by the Adviser in all sections of this Form ADV as the Adviser no longer serves as the investment manager to this fund.
- The fee structure for separately managed accounts (“SMAs”) in Item 5 has been updated.

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## Nakoma Capital Management LLC

### ITEM 4. ADVISORY BUSINESS

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#### Description of Advisory Firm

Nakoma Capital Management LLC (“Adviser”) is an SEC-registered investment adviser founded in 1999 and located in Madison, Wisconsin. The Adviser provides investment advisory services through a long-short strategy and to other investors through separately managed accounts (“SMAs”). The long-short strategy is a private limited partnership fund (“Private Fund”) open only to qualified, accredited investors.

Dan Pickett is the principal owner. He and Mark Fedenia, a co-owner and portfolio manager, are responsible for the day-to-day management of the firm’s accounts. The principals have collaborated on investing since 1986 and their combined investment experience includes venture capital; small-, mid- and large-cap institutional equity investing; mutual fund management; and investment consulting. Mr. Pickett is a significant investor in the Private Fund managed by the Adviser, so his investment interests directly align with the fund’s clients.

#### Advisory Services Offered

The Adviser offers investment advisory services through SMAs and the Private Fund. Written agreements for every client are required that:

- outline the client’s investment objectives;
- outline any investment guidelines for meeting those objectives;
- describe the terms, conditions (e.g., fees, reports, and management) and risks (e.g., conflicts of interest); and
- for SMAs, specify any additional investment guidelines, restrictions or limitations requested by the client.

A significant portion of assets managed by the Adviser are invested in the Private Fund. The documents that govern client accounts are listed in the table to the right. SMA clients can tailor the advisory agreement to fit their specific objectives. The governing documents give the Adviser discretionary authority to manage each client account. Discretionary authority includes trading authority and the right to establish and deal through accounts with other investment managers or securities brokerage firms that the Adviser may select to buy or sell securities.

The Adviser’s written compliance program imposes additional restrictions and obligations on the Adviser in managing client accounts. One requirement is the fiduciary duty of the Adviser and its employees to put clients’ interests ahead of their own and to manage client portfolios consistent with the investment objectives outlined in each client’s governing documents. The Adviser’s Compliance Manual details the tools used to monitor client accounts to help ensure that the management is consistent with the investment objectives and risk tolerance of each client.

<u>Governing Documents</u>	
Private Fund	Limited partnership agreement Offering memorandum
SMA	Investment advisory agreement

The Adviser has discretionary authority over all of the assets it manages, which as of December 31, 2011, were \$54,456,933.

#### Types of Investments

The Adviser offers investment advisory services in the following:

- equity securities: exchange-listed securities, over-the-counter securities and foreign securities listed on U.S. exchanges;
- warrants;

- corporate debt securities (other than commercial paper);
- mutual fund shares;
- U.S. government securities;
- options contracts on securities; and,
- interests in partnerships investing in oil and gas interests.

## **ITEM 5. FEES & COMPENSATION**

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### **Management Fees**

The Private Fund pays the Adviser a management fee equal to 1% per year of the partnership's assets. The fee is based upon the fund's value on the first day of the month and payable monthly in advance. Investors in the Private Fund ("Limited Partners") are allocated a pro rata share of this fee based upon their ownership percentage of the fund's value on that same day. Partnership accounting is done at the close of each month and the management fee allocation appears as a separate line item on each Limited Partner's quarterly account statement.

The Adviser also provides investment advisory services to SMAs that are neither a private fund nor a mutual fund. An SMA pays a fee to the Adviser based upon the percentage of the value of account assets under management on the first day of each calendar month as follows:

<b>Management Description</b>	<b>Management Fee</b>	<b>Administrative Fee</b>	<b>Total Fee</b>
Adviser-managed fund	1.0%	0.3%	<b>1.3%</b>
Active asset allocation	0.2%	0.3%	<b>0.5%</b>
Non-discretionary advising	0.1%	0.3%	<b>0.4%</b>
Administration only	0.0%	0.3%	<b>0.3%</b>

The standard advisory fee schedule above, however, is negotiable depending on the needs of the client, the nature of the accounts, and the complexity of the investments. The fees agreed upon are clearly described in each client's investment advisory agreement. Either the client or the Adviser may terminate the agreement. In either case, there are no termination fees and the clients are refunded any prepaid management fees pro-rated to the termination date.

Fees for the Private Fund and SMAs are generally paid directly out of the accounts' assets each month. The Adviser's fee calculations are independently reviewed and verified before being withdrawn from the account. SMA clients have the option of being directly billed for the management fee each month.

### **Administrative Fees**

The Private Fund pays the Adviser a monthly administrative fee equal to 0.3% of the value of the fund's assets on the first day of each calendar month. The administrative fee covers the cost of the products and services used by the Adviser in managing this account. Limited Partners in the Private Fund are allocated a pro rata share of this fee based upon their ownership percentage of the fund's total value. Partnership accounting is done at the close of each month and the administrative fee allocation appears as a separate line item on each Limited Partner's quarterly account statement.

Fees for the Private Fund are payable monthly in advance and are generally paid directly out of the fund's assets. The Adviser's fee calculations are independently reviewed and verified before being withdrawn from the account.

**Other Costs & Expenses**

Another management cost of the Private Fund is the performance fee the Adviser may be entitled to earn depending upon how well the fund performs. More details on how this fee is calculated are described in **Item 6** below.

In addition to the management costs described above, the Private Fund and SMAs are responsible for the transaction costs and expenses of servicing the accounts including:

- the purchasing, holding, selling or exchanging of securities or other assets, including brokerage fees and other transaction costs, interest on borrowed money, and taxes on investments;
- any mutual fund shares held in a client account may be subject to deferred sales charges, 12b-1 fees, short-term redemption fees and other mutual fund expenses as described in a fund's prospectus
- registrations and/or filings required under applicable securities laws;
- the maintaining of bank, brokerage or custodial accounts;
- professional services such as legal, accounting, auditing, bookkeeping, tax return preparation and other consulting fees as incurred;
- the closing or liquidation of the account.

See also **Item 12 Brokerage Practices** for more information.

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**ITEM 6. PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT**

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**Performance Fees**

In addition to the fees described above, the Private Fund may pay the Adviser an incentive, or performance, fee of 20% of the value of the fund's assets on the first day of each calendar month. This fee, which is disclosed in the fund's governing documents, is subject to a "high water mark." This means that, if the Adviser makes money for the Private Fund and then loses part of it, the Adviser cannot take a performance fee until the loss is made up. The Adviser only gets a performance fee on profits above the high water mark.

Investors join the fund at different times, so high water marks and performance allocations are specific to each Limited Partner in the fund. Limited Partners are only allocated performance fees when the value of their respective investment in the fund is greater than the previous highest value of their investment. This is done by reducing the Limited Partner's net profits at the close of each month, when the performance allocation is calculated, by any of that Limited Partner's prior losses that have been carried forward. SMAs are not subject to performance fees.

**Side-by-Side Management**

The Adviser maintains an active compliance program with written procedures to help manage actual or apparent conflicts of interest between the Adviser and its employees and client accounts. This includes the potential problem of favoring one client account over another when managing accounts with different fee structures.

Written policies and procedures guide employees in meeting the Adviser's fiduciary duty to act in the best interests of clients when carrying out investment advisory activities. The Adviser's Chief Compliance Officer ("CCO") is responsible for maintaining and administering the compliance program, which includes ensuring that employees understand the policies and that there are potential compliance implications to every aspect of their jobs. The Adviser's compliance program has a written Code of Ethics that is described more fully in **Item 8** below. See also the discussion on aggregating and allocating client transactions in **Item 12 Brokerage Practices**.

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**ITEM 7. TYPES OF CLIENTS**

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The Adviser accepts subscriptions for its investment products exclusively from investors that satisfy the applicable eligibility and suitability requirements and generally provides investment advice to the following:

TYPE OF CLIENT	EXAMPLES	INITIAL MINIMUM
SMA's	Individuals and their retirement accounts Trusts Estates Charitable organizations Family foundations Other corporations or business entities	minimum being accepted by the Adviser is \$10 million, subject to review by the Adviser
Private fund	Investors must be qualified & accredited; suitable for institutional investors seeking to diversify a traditional stock and bond portfolio	minimum initial investment \$500,000, but the governing documents authorize the Adviser to accept subscriptions for a lesser amount

## ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

### Methods of Analysis & Investment Strategies

The long-short Private Fund is invested primarily in common stocks traded in U.S. markets, taking long positions in companies where the Adviser believes operating results will exceed investors' expectations and establishing short positions in companies the Adviser believes will disappoint or as hedged offsets to long positions. The Adviser invests primarily in mid- to large-capitalization U.S.-traded companies, but may consider issuers of all sizes in all markets subject to any restrictions or limitations in the governing documents of the funds.

For the long-short strategy, the Adviser uses an investment approach comprised of three integrated processes: *dynamic asset allocation*, *fundamental stock selection* and *risk management*. *Dynamic asset allocation* involves assessing expectations for and trends in three categories of factors that the Adviser believes influence stock market returns: economic growth and corporate profits; interest rates and inflation expectations; and investor sentiment and stock market valuation. The *fundamental stock selection* process is designed to identify companies with the potential for positively or negatively surprising business results over a six- to eighteen-month time horizon. For each stock, the Adviser monitors key business drivers (e.g., macroeconomics, secular trends, industry dynamics and company specific events) that it believes will affect the underlying company's business over the investment time horizon. The *risk management* process analyzes the sources of volatility in the portfolio (e.g., sector, capitalization, style and interest rate sensitivity) in an effort to match each fund's risk exposures with the Advisor's overall market view and avoid unintended risk exposures.

Long-Short (Integrated) Investment Processes	Security Analysis Methods	Sources of Information	Investment Strategies Used
<ul style="list-style-type: none"> <li>Dynamic asset allocation</li> <li>Stock selection</li> <li>Risk management</li> </ul>	<ul style="list-style-type: none"> <li>Charting</li> <li>Fundamental</li> <li>Technical</li> </ul>	<ul style="list-style-type: none"> <li>Online financial publications</li> <li>Inspection of corporate activities</li> <li>Research materials prepared by others</li> <li>Corporate rating services</li> <li>Annual reports, prospectuses &amp; SEC filings</li> <li>Company press releases</li> <li>Internal research</li> </ul>	<ul style="list-style-type: none"> <li>Long-term purchases (held at least 1 year)</li> <li>Short-term purchases (sold within 1 year)</li> <li>Trading (sold within 30 days)</li> <li>Short sales</li> <li>Margin transactions</li> <li>Option writing (includes covered &amp; uncovered options, or spreading strategies)</li> <li>Exchange-traded funds ("ETFs")</li> </ul>

The investment strategy used in managing SMA's is dependent on the investment objectives, guidelines and restrictions for each account, but may include individual security purchases, ETFs, mutual funds, or other securities described in the Risks section below.

### Risks

All securities investments involve risk, including the risk that an investor may lose some or all of his/her investment. As with any investment vehicle, past performance is no guarantee of future results. Investments in the long-short

strategy discussed above are subject to a variety of risks, some of which may apply to SMAs depending upon the nature of the investment assets, and you should consider them carefully:

- **Market Risk.** The value of the long portfolio may decrease if the values of an individual company or multiple companies in the portfolio differ from the Adviser's assessment, or if the stock market declines regardless of how well individual companies perform. Conversely, the value of the short portfolio may decrease if the stock market rises, regardless of how well individual companies perform.
- **Management Risk.** The long-short strategy is subject to management risk because it is an actively managed investment portfolio. There is no guarantee that the Adviser's long-short investment strategy will result in an increase in the value of an investment.
- **Common Stock Risk.** Common stocks are susceptible to general stock market fluctuations. Prices can change in response to many factors, including the historical and prospective earnings of the issuing company, the value of the company's assets, corporate management decisions, decreased demand for the company's products or services, increased production costs, general economic conditions, interest rates, currency exchange rates, market liquidity and investor perceptions.
- **Mid-Cap Stock Risk.** Stocks of mid-cap companies involve greater risk than large-cap companies because they may have limited product lines, markets or financial resources; be dependent on a limited management group; and may be subject to more abrupt or erratic market movements than those of larger, more established companies.
- **Short Sales Risk.** Short sales are speculative transactions and involve special risks, including a reliance on the ability of the Adviser's portfolio managers to anticipate the future value of a security. Losses are potentially unlimited in a short sale transaction.
- **Leverage Risk.** The long-short fund may borrow money from banks to purchase securities for investment purposes, commonly referred to as "leveraging." The use of leverage may result in risks and can magnify the effect of any losses. There is no assurance that a leveraging strategy will be successful. The Private Fund may be as much as 2:1 leveraged. However, in keeping with the low volatility objective of the fund, the use of leverage has been limited.
- **Foreign Securities Risk.** Securities of foreign issuers, even when dollar-denominated and publicly traded on U.S. exchanges or in American Depositary Receipts ("ADRs"), may involve risks not associated with the securities of domestic issuers that can increase the potential for losses. An ADR represents a share of a foreign stock that is traded on a U.S. exchange like any other stock.
- **ETF Risk.** An investment in an ETF generally presents the same primary risks as an investment in a conventional mutual fund (i.e., one that is not exchange traded) that has the same investment objective, strategies and policies. The price of an ETF can fluctuate within a wide range and a portfolio could lose money investing in an ETF if the prices of the underlying investments owned by the ETF go down.
- **Illiquid Securities Risk.** Illiquid securities, including privately placed securities, are not readily marketable. It may be difficult to readily dispose of illiquid investments in the ordinary course of business.
- **Debt Securities Risk.** Debt securities are issued by corporations, governments and governmental agencies, municipalities, and other institutions, and traded on exchanges with a specific interest rate and maturity date. There is a possibility that the issuer of the debt security may be unable to make the interest payments or to pay the principal at maturity. There is also the risk that interest rates will rise, which could affect the yield if the portfolio is locked in at a lower interest rate.
- **Options Risk.** The long-short strategy may invest in options, which involve a high degree of embedded leverage that can involve greater market risk. If the price of the underlying asset or instrument of the option does not change in the anticipated direction to cover the cost of the option before it expires, the fund could lose all or a significant part of its investment (i.e., the cost of purchasing the option). If the Private Fund does not exercise the option before it expires, the fund loses its entire investment. If the Private Fund exercises the option, the profit to the fund will be reduced by the amount of any related transaction costs.
- **Mutual Fund Shares Risk.** A mutual fund faces risks based upon the types of securities in which it invests (such as stocks, bonds, money market or other securities) and its investment objective. Generally, risk and potential return are related. Mutual funds with higher risk have the potential for higher returns as well as a greater potential for losses. Depending on the holdings of a mutual fund, it may be subject to some or all of the risks described above.



A client portfolio pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). Portfolio turnover varies but may be as much as 200% per annum for the long-short strategies. When the Adviser’s views on a particular investment idea are not validated by fundamental events or market prices, positions are closed. The objective is to allow winners to run as the Adviser’s non-consensus views are proven correct, but to cut losers quickly when its views are contradicted. A higher portfolio turnover rate may indicate higher transaction costs and these costs affect a fund’s performance. While not as tax efficient as a buy/hold strategy, some effort is made to minimize tax liability.

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## **ITEM 9. DISCIPLINARY INFORMATION**

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The Adviser is required to disclose any legal or disciplinary events that are material to a client’s or prospective client’s evaluation of its advisory business or the integrity of its management. Neither the Adviser nor any management person of the Adviser has been involved in any legal or disciplinary events required to be disclosed by this section.

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## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**

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- The Advisor is the general partner of the Private Fund—a leveraged long-short equity hedge fund.

The employees who serve in multiple capacities for the Adviser and the Private Fund at times may face inherent conflicts of interest in allocating their time and in serving the interests of the Adviser’s clients, Private Fund Limited Partners, and the Adviser’s financial and other interests. However, the Adviser maintains an active compliance program as required by Rule 206(4)-7 of the Investment Advisers Act and Wisconsin’s DFI-Sec 5.05, Wis. Adm. Code, to help manage, among other things, actual or apparent conflicts of interest between the Adviser and its employees and client accounts. Written compliance policies and procedures guide employees in meeting the Adviser’s fiduciary duty to act in the best interests of clients when carrying out investment advisory activities. The Adviser’s CCO is responsible for administering the compliance program including making sure that employees understand the policies.

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## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTERESTS IN CLIENT TRANSACTIONS & PERSONAL TRADING**

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### **Adviser’s Code of Ethics**

The Adviser has a written Code of Ethics pursuant to SEC Rule 204A-1 that is designed to help meet the Adviser’s fiduciary obligation to put clients’ interests first. A copy of the Code is provided to clients and prospective clients upon their request and at no charge. The key elements of the Adviser’s Code of Ethics, which applies to all officers and employees, are:

- No employee will take unfair advantage of their position through the manipulation, concealment, abuse of privileged information, misrepresentation of facts, or any other unfair dealing.
- Employees must avoid conflicts of interest but, when they unavoidably occur, they must be resolved in a manner that is not disadvantageous to the clients.
- The Adviser will collect information from clients that it needs to conduct business on the client’s behalf, or that it may be required to maintain under state and federal laws or regulations. The Advisor maintains physical, technical, and procedural safeguards to help protect nonpublic personal information and records from external threats and unauthorized access, use or disclosure. Access to physical and electronic documents is limited to those employees who need access to carry out their responsibilities.
- All employees are required to comply with insider trading rules. They may not trade in securities, either personally or on behalf of someone else who is not a client, based upon such inside information. The Adviser has personal trading procedures to monitor this policy.
- The Adviser strives to maintain compliance with all applicable state and federal rules and regulations.

- To help identify new potential conflicts of interest and reinforce the importance of understanding their obligations under the Code of Ethics and other company policies, employees must provide an updated disclosure form and supporting documentation on an annual basis that is reviewed and maintained by the CCO.

### **Participation or Interest in Client Transactions**

As described above (see also Item 5 Fees & Compensation), the Adviser is paid certain fees for managing client accounts. Managing directors and employees of the Adviser may invest, and are invested, in the Private Fund managed by the Adviser. They are required to meet the same eligibility and documentation requirements as non-employee investors are required to meet. Once invested, employees have the same rights and obligations as other investors that are outlined in the governing documents of the fund.

All employees, regardless of whether or not they are invested in funds managed by the Adviser, must comply with the responsibilities imposed on them by the Adviser's Code of Ethics.

The potential for conflicts of interest among the Adviser's various clients is disclosed to prospective Limited Partners through the private placement memorandum of the Private Fund and to individual advisory clients through the advisory agreement. All prospective clients also receive a copy of this Form ADV and current clients are offered a free copy each year as part of the Adviser's annual disclosure mailing. See Item 6 above for more details on the Adviser's written compliance program to help manage potential conflicts of interest between the Adviser and its employees and client accounts.

### **Personal & Proprietary Trading**

The Adviser does not unreasonably limit employees from engaging in personal investment activities. It has written procedures to help manage and avoid potential conflicts of interest between the Adviser and its clients that include periodic reporting requirements on their personal trading activities:

- Employees must fulfill periodic reporting requirements regarding all accounts in which they have the opportunity to benefit, either directly or indirectly, to identify any potential conflicts with client accounts.
- Trades in reportable securities must be pre-approved and employees must have duplicate account statements sent directly to the CCO to identify and address any discrepancies and violations of personal trading policies.

The Adviser may effect trades for proprietary accounts opened for the exclusive benefit of the Adviser. Proprietary accounts may be used to test new markets, or to test new systems or variations of current strategies, so they may trade in securities or investment products that are identical to or differ from those recommended to clients. Proprietary accounts are subject to the same pre-clearance and reporting requirements as the personal trading accounts of employees. The Adviser may hold positions in proprietary accounts that are the opposite of those taken by the Adviser for client accounts only if the trading strategies of the accounts are different.

## **ITEM 12. BROKERAGE PRACTICES**

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### **Broker Selection**

The Adviser has a fiduciary obligation to seek to obtain best execution, so the Adviser tries to effect client transactions where the total costs or proceeds for each transaction are the most favorable to the client under the circumstances. Those circumstances include, but are not limited to, the price and depth of the market for the security, the financial condition and execution capability of the broker-dealer, the value of research provided, and the amount of commissions.

The Adviser has three options for executing trades on behalf of its clients. The first is through a trading agent—Greenwich Prime Trading Group—who is periodically given a list of brokerage firms the portfolio managers agree provide research services that are valuable in managing clients' assets. This broker-dealer list is compiled based upon three criteria: (1) research coverage on the positions in which the Adviser trades on behalf of client accounts; (2) idea generation; and (3) trading expertise in the stocks in which the Adviser trades. By using a professional trading agent, the Adviser gains access to a much deeper trading desk than would be possible if all trading was managed internally. When placing brokerage, the trading agent is instructed to consider the full range and quality of

a broker's services, including, but not limited to, execution capability, commission rate, financial responsibility, responsiveness to the Adviser, and the value of research services provided.

There are times when clients will pay higher commissions on some transactions. The range of commissions relates to a host of factors, including the degree of difficulty the Adviser's trading agent has in placing a particular order. Small trade lots associated with the investment of cash flows into accounts—as opposed to the establishment or adjustment of position sizes beyond the investment of cash flows—are typically placed with brokers charging lower per share commissions to minimize the cost of the incremental investment.

The Adviser's second trading option is Instinet, an automated (electronic) and broker-neutral trading venue. This option helps ensure availability of a tested back-up trading system. Instinet is a broker-dealer that also provides research and analytic services.

The Adviser also trades with custodial brokers for SMAs. The terms related to transacting with an SMA broker are negotiated in advance and approximate the costs for transacting with the Adviser's other trading options.

The Adviser maintains a system of internal controls to ensure that trading complies with the Adviser's policies, including the monitoring of brokers' commissions and the aggregation and allocation of trades among client portfolios.

### **Research and Other Soft Dollar Benefits**

The "safe harbor rule" under Section 28(e) of the Securities Exchange Act of 1934 permits investment advisers to pay more than the lowest available commission to a broker-dealer in return for research products and services used in making investment decisions through "soft dollar" arrangements. Soft dollar usage occurs when the Adviser directs an amount of portfolio brokerage commissions to a broker-dealer in return for brokerage research and services. Client funds have authorized the Adviser to use soft dollars.

Research is used to evaluate specific stock ideas as well as current portfolio holdings. Providing research is an important, long-standing service of the brokerage business and this research supplements the Adviser's own research. The Adviser receives both proprietary research created and/or developed by a particular broker-dealer and third-party research. It is the Adviser's policy to use soft dollar commissions to purchase only those products and services permitted by the safe harbor rule, which may include:

- advice, either directly or through publications or writings, as to the value of securities, the advisability of purchasing or selling specific securities, and the availability of securities or purchasers or sellers of securities
- seminars, information, analyses and reports concerning issuers, industries, securities, trading markets and methods, legislative developments, changes in accounting practices, economic factors and trends, and portfolio strategy; access to research analysts, corporate management personnel, industry experts, economists, and government officials
- other research products and services that assist the Adviser in carrying out its investment responsibilities.

If a service is "mixed use", including content that is both research permitted by the safe harbor rule and non-research disallowed by the rule, the Adviser allocates the cost whereby the non-research portion is paid directly by the Adviser.

The Adviser benefits from soft dollar commissions because it does not have to produce or pay for the research received. As a result, the Adviser may have an incentive to place more trades or pay higher commissions than would otherwise be the case due to our interest in receiving these benefits, rather than our clients' interest in receiving most favorable execution. However, the Adviser monitors this potential conflict of interest by maintaining a system of written internal controls to ensure that its soft dollar activities described above comply with the Adviser's policies and the safe harbor rule. The investment team regularly reviews cumulative commissions paid to broker-dealers to make a good faith determination that the value of research and services is reasonable in relation to the amount of commissions paid, and to determine the future allocation of transactions.

Services obtained with soft dollars can benefit a range of client accounts, regardless of whether those accounts participated in the activity that generated the soft dollar credits. Therefore, commissions from any client account may be used to pay for products and services used by other accounts as allowed by Section 28(e). The Adviser believes that the costs to the client accounts participating in soft dollar transactions will not be disproportionate to the benefits received by those accounts on a continuing basis.

In the last fiscal year, the Adviser acquired the following research services with soft dollar commissions:

**Market Data**

Behind the Numbers  
Factset Research Systems  
New York & American Stock Exchanges  
Options Pricing Reporting Agency

**Market Research & Analysis**

Blue Chip Economic Indicators Reports  
Bloomberg Finance  
Briefing.com  
Empirical Research Partners  
Grant's Interest Rate Observer  
High Tech Strategist  
SNL Financial  
Strategas Securities Research  
TheMarkets.com  
Thomson Reuters  
Wm. O'Neil Securities  
Wisco Research  
Wolfe Trahan

**Brokerage for Client Referrals**

The Adviser does not direct client transactions to a particular broker-dealer in return for client referrals.

**Directed Brokerage**

The Adviser does not recommend, request, or require that a client direct us to execute transactions through a specific broker-dealer.

**Aggregation & Allocation of Client Transactions**

The Adviser may take advantage of investment opportunities that are suitable for more than one client based upon the clients' investment objectives and guidelines. In such cases, the Chief Investment Officer ("CIO") may determine that aggregating the trades would be advantageous to all of the participating client accounts. Aggregation can be beneficial because the Adviser may get a better price or execution from a broker-dealer on the trade. The Adviser has specific written policies and procedures on when and how trades are to be aggregated and allocated and the key points are:

- Aggregated transactions are purchases or sales of the same security, on the same day, at the same time, and using the same broker-dealer.
- When aggregating and allocating client orders, all participating clients must be treated equally whereby aggregated trades are generally allocated pro rata in proportion to each participating client's assets under management on the day the order is placed. The CIO may reduce or eliminate a particular client's allocation if he determines this is necessary to maintain a level of exposure that is appropriate for that client's willingness and/or ability to handle risk and consistent with the client's written investment objectives and investment guidelines.
- The cost of aggregated transactions is averaged across all participating accounts.
- IPOs are allocated only to those accounts eligible to participate in such transactions.
- The CCO has a procedure in place to monitor allocated trades to ensure they comply with the Adviser's policies.
- The Adviser does not receive any additional compensation for aggregating trade orders.

**ITEM 13. REVIEW OF CLIENT ACCOUNTS**

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Client accounts are reviewed regularly by one of the Adviser's two portfolio managers, Dan Pickett, CIO, or Mark Fedenia, Portfolio Manager. They use several tools to help evaluate whether the accounts are being managed consistent with the written investment objectives and restrictions of the respective clients and, if necessary, to make adjustments. These tools include, but are not limited to, reviewing gross and net market exposure, reviewing security and sector exposure, and reviewing a daily performance report highlighting the percentage of account assets represented by each security held and the number of shares held for each fund account. A record is maintained in the compliance log of any discussions between the CCO and the portfolio managers regarding any concerns or comments.

Limited Partners of the Private Fund receive quarterly correspondence that includes qualitative commentary on the past month's performance, and market and portfolio trends. At the close of the fiscal quarter, each Limited Partner also receives a performance summary for the quarter specific to that Limited Partner's capital account. At the close of the fiscal year, the Adviser provides each Limited Partner with a year-end statement showing the value of the Limited Partner's capital account at year end and any transactions of the Limited Partner for the entire year. Following the close of the fiscal year, the Adviser also provides each Limited Partner with a qualitative review on the year's performance. SMAs receive a written report of their investment in the account at least quarterly. Limited Partners and SMA account holders may contact a member of the investment team directly to discuss their investments.

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**ITEM 14. CLIENT REFERRALS & OTHER COMPENSATION**

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The Adviser does not directly or indirectly compensate anyone for client referrals.

The Adviser does have verbal and written arrangements under which it receives benefits from non-clients related to advising clients. Those benefits are in the form of research and statistical and quotation services provided by broker-dealers with whom the CIO has placed trades for client accounts. These services, which in some instances could be purchased for cash, include such matters as general economic and security market reviews, industry and company reviews, evaluations of securities and recommendations as to the purchase and sale of securities. See also research and soft dollar benefits under Item 12 Brokerage Practices. The fees paid to the Adviser are not reduced because it receives such services. Other than these soft dollar benefits, the Adviser does not receive commissions or any other economic benefit from a non-client in connection with providing advice to clients.

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**ITEM 15. CUSTODY**

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The Adviser does not take physical custody of client funds or securities. It does have indirect custody as defined by Rule 206(4)-2 of the Investment Advisers Act and Wisconsin's DFI-Sec 5.035, Wis. Adm. Code ("custody rules"), because:

- The Adviser has the authority to deduct advisory fees from client accounts.
- The Adviser has access to, or authority to access, funds or securities in client accounts maintained with a qualified custodian upon appropriate instruction.
- The Adviser is the general partner and adviser to a pooled investment vehicle (Private Fund).

To help protect client assets, the Adviser intends to comply with the safeguard requirements of DFI-Sec 5.035. All client funds and securities are kept in separate accounts under the clients' names with independent qualified custodians. The rule generally requires that custodians send account statements directly to the clients at least quarterly so they can review the amount of funds, holdings and transaction history of the account for the quarter. BNP Paribas provides monthly account statements for the Private Fund, which is custodied at BNP, that the Adviser reconciles to its own records. The other custodians provide monthly account statements directly to advisory clients custodied with them and duplicate statements to the Adviser at the same time so the Adviser can be assured that the delivery requirement is being fulfilled.

The Rule allows different safeguards for private funds that meet certain requirements, which the Adviser intends to meet. The Adviser, therefore, satisfies its obligation to deliver custody account information to every investor in the Private Fund by distributing the audited financial statements for the Private Fund to each Limited Partner within 120 days after the end of the Fund's fiscal year. The Rule requires the audit to be conducted by an independent certified public accountant. The Adviser also sends quarterly financial information to each Limited Partner in the Private Fund that reflects all activity in their respective capital accounts, including inflows/outflows and fees, consistent with the Private Fund's governing documents. This information is unaudited and does not satisfy the delivery of quarterly statements required by the custody rule.

**ITEM 16. INVESTMENT DISCRETION**

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Clients and investors grant the Adviser discretionary authority pursuant to signed written advisory agreements between them and the Adviser. Discretionary authority is granted to the Adviser to manage the accounts, including the authority:

- to determine what securities to buy and sell, and the amounts;
- to determine which broker-dealer(s) to use;
- to establish and deal through accounts with other investment managers or securities brokerage firms that the Adviser may select to effect the purchases or sales of securities; and,
- to determine commission rates to be paid on transactions.

The CIO is primarily responsible for making the day-to-day management decisions for each client account. The Adviser has full discretionary authority to manage the accounts without further consultation with the clients. Clients may modify the Adviser's model investment advisory agreement to impose limitations and restrictions in writing. The CCO has designed a compliance tracking system to ensure that the Adviser has signed agreements on file for every client that describe the duties and responsibilities of the relationship and otherwise comply with state and federal requirements regarding such contracts. Depending on the client, the document may be an investment advisory agreement, a sub-adviser Agreement, or an offering memorandum and LP agreement (for the Private Fund).

**ITEM 17. VOTING CLIENT SECURITIES**

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The Adviser has adopted proxy voting policies and guidelines required by Rule 206(4)-6 of the Advisers Act that apply to securities owned by clients and for which the Adviser has proxy voting authority. The policies are designed to reasonably ensure that proxies are voted in the best interest of clients and not to advance the Adviser's interests above its clients. The key points of these guidelines are:

- Clients do not direct the proxy voting of the Adviser.
- A consistent voting position on similar proxy proposals is generally maintained from one company to the next.
- The Adviser generally maintains a consistent voting position when voting proxies on behalf of multiple clients receiving the same company's proxy.
- The Adviser typically supports routine business matters (e.g., annual directors' elections and annual approval of the independent auditor).
- The Adviser is responsible for identifying potential conflicts of interest between a proxy vote and a relationship that the Adviser has with a company. In the event a potential material conflict is identified, the Adviser may disclose the conflict to clients and obtain their consent before voting and/or consult with an independent third party taking into consideration the facts and circumstances. Any such conflicts and actions taken are documented by the CCO.
- Unique or less routine issues are reviewed on a case-by-case basis and ultimately voted based upon what the CIO determines to be in the best interests of the client accounts.
- The Adviser retains a record of all proxies voted on behalf of clients. Partnership investors and clients with SMAs may contact the CCO to request a free copy of the Adviser's Proxy Voting Guidelines and Procedures, or to obtain voting information on proxies voted on behalf of their respective accounts. The proxy voting record for the Nakoma Absolute Return Fund is available without charge, upon request, by calling the Fund's toll-free number (866-662-5662) or by going to the SEC's website at [www.sec.gov](http://www.sec.gov) through the Fund's annual filing of Form N-PX, which contains the Fund's complete proxy voting record for the most recent 12-month period ending on June 30.

**ITEM 18. FINANCIAL INFORMATION**

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The Adviser does not have any financial condition that would impair our ability to meet contractual commitments to clients. The Adviser does not require or solicit prepayment of more than \$1,200 in fees per client, six months or

more in advance, nor is it a qualified custodian or an insurance company, so a balance sheet for the Adviser's most recent fiscal year is not required.

## **ITEM 19. ADDITIONAL INFORMATION – PRIVACY POLICY**

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### **Nakoma's Privacy Policy**

Financial companies may choose how they share your personal information. Federal law gives consumers the right to limit some, but not all, sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this information carefully to understand what we do. The types of personal information we collect and maintain depends on the products or services you have with us. This information may include:

- Information we receive on applications and forms, via the telephone, and through our website—e.g., your addresses, phone numbers, email addresses and social security number.
- Information about client transactions with us, our affiliates<sup>1</sup>, or nonaffiliates<sup>2</sup>—e.g., purchases, sales, or account balances).
- Information required by law to verify the identification of current and prospective investors/clients.
- Information we are required to maintain under state and federal laws or regulations.

All financial companies need to share clients' personal information to run their everyday business. We only share personal information that is necessary for us to conduct business on behalf of our clients—e.g., to process your transactions and otherwise manage the account(s) you have entrusted with us.

While we maintain only a limited amount of sensitive personal information, we are committed to keeping such nonpublic personal information secure and confidential. The Adviser does not rent or sell personal information. We do not disclose nonpublic personal information, except as permitted or required by state and federal laws or regulations and to manage your account(s) with us. For example, we may share this information with others in order to process your transactions. We may also provide this information to service providers that perform services on our behalf, such as printing and mailing. We require these companies to protect the confidentiality of this information and to use it only to perform the services for which we hire them.

This policy applies to information in both physical and electronic format. To protect your personal information from unauthorized internal and external access and use, we use physical, technical, and procedural safeguards, including technological safeguards, secured buildings, and file access limitations.

If you decide at some point to close your account(s) or become an inactive customer, we will continue to adhere to our privacy policies and practices with respect to your nonpublic personal information.

- 1 "Affiliates" are companies related to Nakoma by common ownership or control and can include financial and nonfinancial companies.
- 2 "Nonaffiliates" are companies that are not related to Nakoma by common ownership or control and can include financial and nonfinancial companies.