

Firm Brochure

(Part 2A of Form ADV)

PALO VERDE CAPITAL, LLC

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This brochure provides you with information about the qualifications, business practices, and nature of advisory services of Palo Verde Capital, LLC, all of which should be considered before becoming an advisory client of our Firm. Please contact Anthony R. Stacy, Managing Member, if you have any questions about this narrative brochure.

The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or by any state securities authority.

We are an Investment Adviser registered with the U.S. Securities and Exchange Commission (SEC). Registration does not imply a certain level of skill or training. Additional information about our Firm is available on the Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our Firm's CRD number is 139934.

March 31, 2012

Item 2 Material Changes

The SEC adopted “Amendments to Form ADV” in July 2010. This version of Part 2A of Form ADV (“Firm Brochure”) and Part 2B of Form ADV (“Supplement Brochure”), dated March 30, 2012, is our most current document prepared in accordance to the SEC’s new rule requirements and rules. As you will see, this document is narrative format. Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Firm Brochures within 120 days of the close of our business’ fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

This version of the Firm Brochure (March 31, 2012) serves as its annual update amendment filing Firm Brochure.

Summary of Material Changes

Our Firm last updated its Firm Brochure on March 1, 2011. Since that date, Palo Verde Capital, LLC has revised its Brochure to include information about the Firm’s arrangements with solicitors. Please refer to Item 14 for further details. It has also updated the Brochure to include information on the Palo Verde Private Equity Fund. Other than the aforementioned disclosures, PVC has made no additional material changes to structure, personnel, or operations.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at **480-483-4102** or by email at: **tstacy@pvfunds.com**

Item 3 Table of Contents

Item 2	Material Changes	i
Item 3	Table of Contents	1
Item 4	Advisory Business	3
A.	Firm Description.....	3
B.	Types of Advisory Services	3
C.	Tailored Relationships.....	4
D.	Wrap Fee Programs	5
E.	Assets under Management	5
Item 5	Fees and Compensation.....	5
A.	Advisory Fees.....	5
B.	Billing Procedures.....	6
C.	Other Fees and Expenses	6
D.	Termination and Refund Policy	6
E.	Other Compensation	7
Item 6	Performance-Based Fees and Side By Side Management	7
A.	Performance-Based Fees	7
B.	Side-by Side Management.....	7
Item 7	Types of Clients	8
A.	Types of Clients.....	8
B.	Conditions for Account Management	8
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	9
A.	Methods of Analysis.....	9
B.	Investment Strategies	9
C.	Material Risks of Methods of Analysis and Investment Strategies	10
D.	Recommendation of Specific Types of Securities	11
Item 9	Disciplinary Information	11
Item 10	Other Financial Industry Activities and Affiliations.....	12
A.	Financial Industry Activities	12
B.	Financial Industry Affiliations	12
C.	Other Material Relationships	12
D.	Other Investment Advisers.....	12
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
A.	Description of Code of Ethics	12
B.	Participation or Interest in Client Transactions	13

C.	Proprietary Trading	13
D.	Simultaneous Trading	13
Item 12	Brokerage Practices	13
A.	Selection and Recommendation.....	13
B.	Soft Dollar Benefits.....	14
C.	Brokerage for Client Referrals.....	14
D.	Directed Brokerage	14
E.	Order Aggregation	14
Item 13	Review of Accounts	15
A.	Periodic Reviews.....	15
B.	Other Review Factors	15
C.	Reports.....	15
Item 14	Client Referrals and Other Compensation	16
A.	Economic Benefits for Advisory Services Rendered	16
B.	Compensation for Client Referrals.....	16
Item 15	Custody	16
A.	Custodian of Assets.....	16
B.	Account Statements	17
Item 16	Investment Discretion.....	17
Item 17	Voting Client Securities	18
Item 18	Financial Information	18
A.	Balance Sheet Requirement	18
B.	Financial Condition	18
C.	Bankruptcy Petition Filings.....	18
Item 19	Requirements for State Registered Investment Advisers	18
A.	Firm Management	18
B.	Other Business Activities.....	19
C.	Performance-Based Fees	19
D.	Disciplinary Disclosure Reporting	19
E.	Relationships or Arrangements with Securities Issuers	19
Privacy Policy	20

Item 4 Advisory Business

A. Firm Description

Palo Verde Capital, LLC (“PVC” or the “Firm”), is an investment management firm that is registered with the U.S. Securities and Exchange Commission as an investment advisor. PVC is organized as a Arizona limited liability company that was founded in 2005.

PVC’s current advisory activities consist of providing investment supervisory services to two pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940” Act), and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). The Funds are structured as Delaware limited partnerships. PVC also offers discretionary asset management services and retirement planning consultations to individuals and high net worth individuals.

Principal Owners: PVC is owned principally by Anthony R. Stacy and Paul A. Ross. Anthony R. Stacy owns 52% of PVC and Paul A. Ross owns 40%. In addition to serving as managing member, Anthony R. Stacy is the Chief Compliance Officer (CCO) of the Firm.

B. Types of Advisory Services

1. Advice to the Funds

PALO VERDE FUND, L.P. (“PV FUND”)

PVC currently provides investment advisory services to Palo Verde Fund, L.P. (“the PV Fund”); a Delaware limited partnership. The objective of the PV Fund is to seek absolute returns by primarily investing in public U.S. and non-U.S. corporate securities options and currencies while maintaining strong emphasis on capital appreciation. Current income is not an objective of the PV Fund’s securities trading activities.

PALO VERDE PRIVATE EQUITY FUND (“PVPE FUND”)

PVC provides investment advisory services to Palo Verde Private Equity Fund (“PVPE Fund”), a Delaware limited partnership, which operates as a private investment fund. The PVPE Fund’s investment objective is to generate capital appreciation by making opportunistic acquisitions of equity interests in private companies and other assets and realizing cash flows through the eventual disposition of such investments.

PVC also serves as general partner to both the PV Fund and the PVPE Fund (collectively, the “Funds”).

Interests in the Funds are being offered for investment to persons who are “accredited investors” as defined in Rule 501(a) of Regulation D under the Securities Act and who are “qualified clients” as defined in Rule 205-3 under the Advisers Act.

This document is neither an offer to sell nor a solicitation of an offer to buy interests in the Funds. Such an investment may be made only after receipt and

review of each Fund's confidential private placement memorandum (the "Memorandum"). Each Fund's Memorandum contains important information concerning risk factors and other material aspects of that Fund and must be read carefully before any decision whether to invest is made. Upon request to PVC, a copy of the Memorandum is available to persons meeting the definitions of both accredited investor and qualified client.

2. Portfolio Management Services

PVC offers discretionary portfolio management services to individuals, including high net worth individuals, based on the specific needs and objectives of such persons. Subject to any written guidelines or restrictions that the client may provide, PVC is granted full discretion and authority to manage the client's account.

3. Retirement Plan Consultations

PVC offers advisory services to both self-directed and trustee-directed retirement plans whereby it will select, from a large universe of mutual funds, a specified number of mutual funds offered to participants. The selections are based upon the investment policy of the retirement plan, the analysis and due diligence conducted by PVC. PVC's services include ongoing monitoring of funds. PVC also offers investment advice to plan participants.

C. Tailored Relationships

1. The Funds

PVC provides investment advisory services to the Funds based on the investment objectives of the Funds. **PVC does not provide tailored investment advice to the Limited Partners in the Funds.**

2. Portfolio Management Services

Our advice regarding portfolio management may not involve investment supervisory services. Managed accounts are monitored on an ongoing basis for performance and adherence to a client's state objectives; nonetheless, goals for the accounts under management may be formed without consideration of the client's other assets, investments, or other obligations. Clients may impose restrictions on investing in certain asset classes or any specific types of securities.

Our advice is based on thorough assessment of our Client's goals, objectives, investment horizon, and risk tolerance and the investment philosophy of the third party money manager.

PVC requires that a written Investment Advisory Agreement ("IA Agreement") be signed by the client prior to the engagement of services. The IA Agreement outlines the services rendered by PVC and fees that clients will be charged. The IA Agreement also gives PVC written authority to deduct fees from custodial accounts and discretionary authority to manage accounts.

3. Retirement Plan Consultations

Our retirement plan consultations are based on individual needs of our clients after, a thorough assessment of their retirement goals, objectives, and risk tolerance. The retirement plan allocations are aligned with the investment policy of the plan sponsor.

D. Wrap Fee Programs

PVC does not participate in and is not a sponsor of any wrap fee program(s).

E. Assets under Management

PVC manages \$49,104,830 in client assets on a discretionary basis; and \$108,426,934 in client assets on a non-discretionary basis. The total Asset under Management figure is \$157,531,764 and this figure is based on calculations as of December 31, 2011.

Item 5 Fees and Compensation

A. Advisory Fees

1. The Funds

PVC receives compensation from the Funds pursuant to the terms of each Fund's Memorandum. Generally, such compensation may take the form of a management fee (the "Management Fee"), a performance allocation (the "Performance Allocation"), or both.

PVC receives a management fee (the "Management Fee") that is payable quarterly in advance. The fee is equal to 0.25% (a 1% annual rate) of the beginning capital account value of each Limited Partner for the quarter.

PVC shall receive an annual Performance Allocation fee (if applicable) computed as of December 31 of each calendar year, as well as upon certain withdrawals. The Performance Allocation is equal to twenty percent (20%) (the "Performance Allocation Rate") of the Profits allocated to each Limited Partner for that calendar year of the beginning Capital Account balance for such Limited Partner for such year, pro-rated, as applicable, for monthly additions of capital that may occur for such Limited Partner during the year. The Performance Allocation is subject to a high water mark provision as fully described in the Fund Documents.

2. Portfolio Management Services

PVC earns a management fee ("Management Fee") for providing personalized discretionary asset management services. The Management Fee is based on a percentage of assets under management. On an annualized basis, PVC's fees for ongoing portfolio management services, subject to negotiation, are based on the following tiered fee schedule:

Portfolio Size	Annualized Fee
First \$1,000,000	1.50%
Next \$1,000,001 to 3,000,000	1.00
Next 3,000,001 to 5,000,000	0.75%

Over \$5,000,001	Negotiable
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These fees are negotiated on a client-by-client basis and will be discussed at the initial meeting. PVC will quote exact percentages to be charged to each Client, and will include the fee schedule within its Agreement with the Client

The fees set forth above do not include commissions on securities transactions, miscellaneous brokerage charges, or custodial fees.

3. Retirement Plan Consultations

Retirement Planning Consultation Fees range from less than .05% to 1.0% depending on the size of the plan assets, the number of plan participants and the cash inflow and outflow of contributions.

All of the above-referenced fees are negotiable. Lower fees for comparable services may be available from other sources.

B. Billing Procedures

1. The Funds

PVC deducts its fees automatically from each Limited Partner's capital account balance pursuant to the fee structure agreed upon between the Limited Partner and the Fund.

2. Portfolio Management Services

The fee for SMA Portfolio management will be due and payable quarterly in advance. The fee is based on the value of the assets under management as of the close of business on the last business day of the preceding quarter. The first payment under the fee schedule is due upon execution of the Investment Advisory Agreement and is assessed on a pro rata basis in the event the account is opened at any time other than the first day of the calendar quarter. Multiple accounts for the same client may be combined for purposes of calculating the total fee. The Account Fee is paid to and retained by PVC.

3. Retirement Plan Consultations

Fees for Retirement Planning Consultations may be paid either in advance or in arrears as negotiated with each client. It is customary procedure for the account custodian authorized to debit the plan for the fees and pay them directly to PVC.

C. Other Fees and Expenses

There may be additional fees or charges that result from the maintenance of or trading within your account. These fees are imposed by third parties in connection with investments made through the client's account, including but not limited to, commissions on securities transactions, miscellaneous brokerage fees, no-load mutual fund 12(b)-1 distribution fees, certain deferred sales charges on previously purchased mutual funds, IRA and Qualified Retirement Plan fees.

D. Termination and Refund Policy

1. The Funds

Generally, withdrawals will be permitted with at least sixty (60) days advance written notice and will be effective the last business day of any calendar quarter. PVC may, in its sole discretion, waive or modify the conditions of withdrawal or suspend the Limited Partners' withdrawal rights when it believes it is in the best interest of each Fund. A more detailed discussion of the termination rights is more fully described in each Fund's memorandum.

2. Portfolio Management Services

The client has the right to terminate the Investment Advisory Agreement ("Agreement") without penalty within five (5) business days from the date of execution of the Investment Advisory Agreement. Afterwards, the client must deliver written notice requesting termination of the Agreement to PVC. Any prepaid fees will be refunded. Either party may terminate the Agreement upon ten (10) days written notice to the other party. The client will be entitled to a pro rata refund of any prepaid quarterly fee based upon the number of days remaining in the quarter after termination.

3. Retirement Plan Consultations

The client has the right to terminate the Agreement without penalty within five (5) business days from the date of execution of the Advisory Consulting Agreement. The client must deliver written notice requesting termination of the Agreement to PVC. Any prepaid fees will be refunded. Either party may terminate the Agreement upon ten (10) days written notice to the other party. The client will be entitled to a pro rata refund of any prepaid quarterly fee based upon the number of days remaining in the quarter after termination.

E. Other Compensation

PVC does not accept any compensation other than Management Fees, the Performance Allocation Fees and other advisory fees as heretofore described.

Item 6 Performance-Based Fees and Side By Side Management

A. Performance-Based Fees

As stated in item 5A, PVC receives Performance Allocation Fees from the Fund based on calculations at the end of each calendar year Please refer to Item 5 for details regarding Performance Fees.

Performance-Based Fees ("Performance Fees") are based on a share of the capital gains or capital appreciation of the assets of a client. Fees based on performance means PVC participates directly in the account's results.

The Performance Allocation will only be charged to "qualified clients" as that term is defined in Rule 205-3 under the Investment Adviser Act of 1940, or similar state statutes.

B. Side-by Side Management

PVC conducts side-by-side management of pooled investment vehicles, portfolio management programs and retirement planning consultations. These dissimilar investment products are designed for separate and distinct types of clients and diverse methods of management are required. For a number reasons, including compensation variations and allocation of trades, managing side-by-side products may present PVC with potential conflicts of interest. The conflicts may include the incentive to give preferentiality to performance-based fee transactions over other accounts or intentionally allocating trades to increase value of assets thereby generating higher advisory compensation. To mitigate this conflict of interest, we have developed policies and procedures prohibiting allocation of trades based on favorable or unfavorable market fluctuations. PVC's Chief Compliance Officer will review transactions periodically to prevent and detect preferential trade allocation.

Item 7 Types of Clients

A. Types of Clients

PVC generally provides investment advisory services to: **Individuals, High Net-Worth Individuals, and Pooled Investment Vehicles.**

Interests in the Funds are being offered for investment to persons who are "accredited investors" as defined in Rule 501(a) of Regulation D under the Securities Act and who are "qualified clients" as defined in Rule 205-3 under the Advisers Act.

B. Conditions for Account Management

The minimum account sizes are as follows:

1. The Fund

PVC generally requires Limited Partners in the PV Fund to make a minimum initial investment of Seven-hundred Fifty Thousand Dollars (\$750,000). PCV general requires Limited Partners in the PVPE Fund to make a minimum initial investment of Two-hundred and Fifty Thousand Dollars (\$250,000). PVC reserves the right to apply additional standards for admission to the Fund for new Partners, and may in its sole discretion waive or reduce these requirements.

2. Portfolio Management Services

This is an account minimum of \$250,000 of assets under management is required for Portfolio Management Services. This minimum may be waived at the discretion of PVC. In addition, PVC may impose a minimum \$1,500 annual fee for accounts below \$250,000. If for any reason a portfolio falls below \$250,000, PVC reserves the right to close the account.

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

A. Methods of Analysis

PVC employs technical analysis as our primary method for analyzing securities to achieve the investment objectives and goals of the Clients. The technical analysis method of evaluation securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysis aids in the decision of when to buy or sell, how much, and at what price.

B. Investment Strategies

1. The Funds

PALO VERDE FUND, L.P. (“PV FUND”)

PVC’s objective is to seek above market returns over the long term by investing in public U.S. and non-U.S. corporate securities, private placement securities and options, while maintaining strong emphasis on capital appreciation. We will consider tax consequences when appropriate; however, limiting the potential effects of taxation is not the primary economic motivation behind any investment decision. PVC believes that consistent execution of their disciplined investment process is the key to achieving superior returns in the securities markets. To achieve that goal, PVC employs a proactive strategy to identify and assess investment opportunities. Careful consideration is also given to the risk/reward characteristics of each potential position before committing capital and much care is taken to initiate and exit positions as favorable as possible.

PALO VERDE PRIVATE EQUITY FUND (“PVPE FUND”)

The initial core tenet of the PVPE fund is to invest in quality companies and structure transactions with appropriate and risk adjusted capital structures. Prior to committing capital to any prospect, PVC will complete intensive and thorough diligence to both fully understand and mitigate investment risk. The due diligence process will encompass a comprehensive review of all current and future matters that could affect the business and the PVPE Fund’s capital investment, including (but not limited to) a complete understanding of the industry, the competitive landscape, legal and tax issues, product/service pricing, the status and market value of intellectual property, the company’s marketing initiatives, and management and personnel. The PVPE Fund’s strategy will also include seeking co-investors and/or strategic partners if PVC believes such measures to be a worthwhile pursuit. PVC intends to complement its internal diligence efforts with the knowledge base of such co-investors and/or strategic partners within the industry in question and professionals that will include attorneys, accountants, risk managers and consultants.

2. Portfolio Management Services

PVC strives at all times to meet the individual investment objectives of each of its Clients. During an interview with a new Client, a PVC Investment Adviser Representative will seek to understand the Client’s goals and time horizon while also evaluating the Client’s risk tolerance through discussion and feedback. The specific

method used to meet Client investment objectives will vary, but in general, PVC will construct well-diversified investment portfolios by using the four major asset classes including stocks, bonds, real estate and cash. Securities used to build the investment portfolio will generally consist of mutual funds, exchange traded funds, individual stocks, and individual bonds. Security selection will be on a client-by-client basis but generally will be based on the Client's portfolio size, goals and risk tolerance.

PVC's investment strategies may be altered, without prior approval by the Clients. However, PVC will notify all Clients of any such change.

C. Material Risks of Methods of Analysis and Investment Strategies

Notwithstanding the method of analysis or investment strategy employed by the Firm, the assets within the Fund are subject to risk of devaluation or loss. PVC wants investors to be aware that there are many different events that can affect the value of your assets or portfolio including, but not limited to, changes in financial status of companies, market fluctuations, changes in exchange rates, trading suspensions and delays, economic reports, and natural disasters.

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.
- *Inflation Risk:* When any type of inflation is present, a dollar will be worth more today than a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized

product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

While this information provides a synopsis of the events that may affect your investments, this listing is not exhaustive. We want you to understand that there are inherent risks associated with investing and depending on the risk occurrence; you may suffer LOSS OF ALL OR PART OF YOUR PRINCIPAL INVESTMENT.

Note Regarding The Funds: An investor should not make an investment in the Funds with the expectation of sheltering income or receiving cash distributions. An investment in the Funds should form only as part of a complete investment program, and an investor must be able to bear the loss of its entire investment. Investors are urged to consult with their personal advisers before investing in the Funds. Because risks are inherent in all the investments in which the Funds engage, no assurances can be given that each Fund's investment objectives will be realized. Each Fund's Memorandum contains important information concerning risk factors and other material aspects of the Fund and must be read carefully before any decision whether to invest is made.

Each Fund's success depends on the General Partner's strategies and the ability to implement its investment strategy. Any factor that would make it more difficult to execute more timely trades, such as a significant lessening of liquidity in a particular market, may also be detrimental to profitability. No assurance can be given that the investment strategies to be used by the Funds will be successful under all or any market conditions.

D. Recommendation of Specific Types of Securities

PVC makes recommendations relative to the Fund, which is designed for investors who have the knowledge and experience in financial matters to evaluate the merits and risks of such investments. Fund investments may include, but are not limited to, equity securities, debt and other income securities, high-yield securities, exchange traded funds, derivative instruments including options transactions, and emerging markets securities. Nonetheless, PVC's advisory offerings are not limited to the Fund. As outlined in item 4A the advisory services of PVC include an array of investment vehicles.

Item 9 Disciplinary Information

Neither PVC, its management nor related persons has been involved in legal nor disciplinary events related to past or present investment clients.

Item 10 Other Financial Industry Activities and Affiliations

A. Financial Industry Activities

PVC is not a registered broker-dealer and does not have an application pending to register as a broker-dealer. Furthermore, none of PVC's management or supervised persons is registered representatives of, or has applications pending to register as representatives of, a broker-dealer.

B. Financial Industry Affiliations

PVC is not registered as, and does not have pending applications to register as, a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor. Furthermore, none of PVC's management or supervised persons is registered as, or has applications pending to register as, associated persons of the foregoing entities.

C. Other Material Relationships

As previously noted above, PVC serves as the general partner to Palo Verde Fund, LP and the Palo Verde Private Equity Fund, LP, both Delaware limited partnerships. There are specific conflicts of interest associated with investing in a pooled investment vehicles. Each Fund's Memorandum contains explicit information concerning important conflicts of interest and other material aspects of the Fund.

PVC does not have any other arrangements that are material to its advisory or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, other than those already disclosed herein.

D. Other Investment Advisers

PVC does not have arrangements, not previously disclosed, with other investment advisers that are material to its clients or advisory business.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. Description of Code of Ethics

All employees of PVC must act in an ethical and professional manner. In view of the foregoing and applicable provisions of relevant law, PVC has adopted a Code of Ethics to specify and prohibit certain types of transactions deemed to create conflicts of interest (or the potential for or the appearance of such conflicts), and to establish reporting requirements and enforcement procedures relating to personal trading by PVC personnel. PVC's Code of Ethics, which specifically deals with professional standards, insider trading, personal trading, gifts and entertainment, and fiduciary duties,

establishes ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

B. Participation or Interest in Client Transactions

PVC solicits potential limited partners to purchase interest in the Funds. PVC's managing member is also an investor in the Fund. The performance allocation may vary among the Funds. While PVC intends to allocate the investment opportunities among the Funds in a manner that it believes is fair and equitable, the possibility of receiving the performance allocation and the variation of the structure of the performance allocation among the Funds may create an incentive for PVC to favor one Fund over another and to recommend more speculative investments on behalf of the respective Fund. These and other pertinent conflicts of interest are disclosed in the Funds' Memoranda.

C. Proprietary Trading

At times, PVC or related persons may buy or sell for our own accounts securities that have also been recommend for the Fund or individually managed client portfolios. However, any purchase or sale of a security by PVC or a related person will be subject to PVC's fiduciary duty to the Fund and clients. PVC will always document any transactions that could be construed as a conflict of interest. To mitigate or remedy any conflicts of interest or perceived conflicts of interest, PVC will monitor trading reports for adherence to our Code of Ethics. Additionally, records of all security transactions by PVC and related persons will be maintained at PVC's office and are available for inspection by clients and Limited Partners of the Funds.

D. Simultaneous Trading

From time to time, representatives of PVC or related persons may buy or sell securities for themselves at or around the same time of the Fund or SMA clients. In any instance where similar securities are bought or sold, we will uphold our fiduciary duty by always ensuring that transactions are more beneficial for our clients than for our own benefit.

Item 12 Brokerage Practices

A. Selection and Recommendation

1. The Funds

PVC is not limited in its authority to purchase securities for the Fund. PVC has full discretion and authority to make all investment decisions with respect to the types or the amount of securities to be bought or sold for the Fund.

PVC will have complete discretion regarding the selection of brokers for the Fund and the amount of brokerage commissions and fees paid to such brokers, and this determination will be based upon four factors: (1) where the best execution (price) is likely to be obtained; (2) a brokerage firm's research and investment ideas that directly impact the Fund's portfolio; (3) a firm's ability to properly execute any orders (based on the size of the trade and its complexity to execute); and (4) the operational aspects of

brokerage firms' back office (will the Fund receive payment of securities on a timely basis) and custodian or other administrative services. "Best execution" is not synonymous with lowest brokerage commission. Consequently, PVC may pay a brokerage commission in excess of that which another broker might have charged for executing the same transaction for other investment funds similar to the Fund. However, PVC has determined that the research, execution and other services rendered by a particular broker merit greater than typical fees.

2. Portfolio Management

Unless the client directs otherwise, PVC has complete discretion over the selection of the broker-dealer to be used in connection with SMA portfolio and the commission rates to be paid without obtaining specific client consent.

B. Soft Dollar Benefits

PVC has not received research or other products or services other than execution from a broker-dealer or a third party in connection with the Client's securities transactions. It has not generated "soft dollars" benefits as of the date of this Brochure.

As of December 31, 2010, the Firm has not utilized any particular procedures direct client transactions in return for products and research services.

C. Brokerage for Client Referrals

When selecting or recommending broker-dealers to clients, the Firm does not consider whether it receives client referrals from a broker-dealer or third party.

D. Directed Brokerage

1. The Funds

PVC provides investment advisory services involved with managing pooled investment vehicles, heretofore described as the Funds. Due to the structure of the pooled investment vehicles, directed brokerage arrangements are not applicable.

2. Portfolio Management

PVC will recommend that Clients utilize the Firm's recommended broker dealer(s) to execute transactions. This arrangement is designed to maximize efficiency, enhance the ability to monitor positions, and to be cost effective for our Clients. By requiring Clients to use our specific custodians which PVC has approved, we seek to achieve most favorable execution of Client transactions.

PVC also permits clients to direct brokerage. If clients have their own preferred broker-dealer, we will notify the broker-dealer of our advisor-client relationship. Please be aware, however, when clients are permitted to direct brokerage, we may not be able to effect transactions in the most cost effective manner. Furthermore, we may be limited in our ability to aggregate transactions and clients may in turn, incur greater costs associated with brokerage transactions.

E. Order Aggregation

PVC may, at times, aggregate sale and purchase orders of securities for the Fund with similar orders for the other accounts in order to obtain the best pricing averages and

minimize trading costs. This practice is reasonably likely to result in administrative convenience or an overall economic benefit to the PVC based on an evaluation that the Fund and SMA portfolios are benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions or a combination of these and other factors. Our policies and procedures mandate aggregating multiple orders and aggregate orders will be allocated to accounts in a systematic non-preferential manner.

Item 13 Review of Accounts

A. Periodic Reviews

1. The Fund

PVC reviews the Fund's investment program, including current holdings, on a continual basis. The Firm reviews the Fund's investment program to analyze rates of return, allocation of assets and to verify that the Fund's portfolio is consistent with its investment objective. Anthony R. Stacy, Chief Compliance Officer conducts such reviews quarterly.

2. Portfolio Management

The day-to-day supervision of the SMA portfolios is the responsibility of the principals of PVC. Each investment account is reviewed at least quarterly for compliance with policy, suitability of investments and customer investment objectives.

B. Intermittent Review Factors

1. The Fund

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or by changes in each Fund's objectives.

2. Portfolio Management

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or by changes in your financial status (such as retirement, termination of employment, relocation, or inheritance). Clients are advised to notify TMG promptly if there are any material changes in their financial situation, investment objectives, or in the event they wish to place restrictions placed on their account.

C. Reports

1. The Funds

The Fund's books of account may be audited at the end of each fiscal year, in the sole discretion of PVC, by a firm of certified public accountants selected by PVC. Books of account will generally be kept by the Fund, in accordance with GAAP. In addition, all Limited Partners will receive the information necessary to prepare federal and state income tax returns following the conclusion of such fiscal year as soon thereafter as is reasonably practical. All Limited Partners will also receive unaudited performance reports and such other information as PVC determines on a quarterly basis. PVC will

not be required to provide information with regard to specific investment transactions of the Fund.

2. Portfolio Management

Clients will receive a report at least monthly from the custodian, detailing account performance and account holdings. PVC does not issue separate reports for SMA Portfolio clients and Retirement Plan clients.

Item 14 Client Referrals and Other Compensation

A. Economic Benefits for Advisory Services Rendered

The Firm does not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to its clients.

B. Compensation for Client Referrals

From time to time various investment professionals and firms may introduce their clients to PVC and, in return, PVC may pay such professionals and firms a referral fee. The person or firm making the referral (solicitor) provides each prospective client with a copy of this document along with a written disclosure of the terms of the solicitation arrangement between PVC and the solicitor, including the compensation to be received by the solicitor from PVC. This fee does not increase or decrease the management fee any client pays to PVC. PVC discloses the referral arrangement, if any, to the client and asks the client to acknowledge it in writing.

Item 15 Custody

A. Custodian of Assets

1. The Fund

PVC has indirect custody of each Fund's portfolio assets because it has the ability to deduct advisory fees payable to it, and has a general power of attorney over each Fund's account. Additionally, as General Partner of the Fund, PVC has indirect custody of Fund's portfolio assets (funds and securities). The physical assets of the Fund are held in an account with each Fund's custodian.

PVC, as General Partner and investment adviser to the PV Fund, has selected M.S. Howells & Co. ("Howells"), a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corp. ("SIPC"), as the Fund's prime broker to execute trades. Howells clears through Pershing LLC ("Pershing"), a member of the Financial Industry Regulatory Inc. ("FINRA") and the Securities Investor Protection Corp. ("SIPC"), which therefore would have custody of the Fund's cash and securities.

2. Portfolio Management

Unless otherwise directed by the client, the physical assets of the Portfolios Management Programs are held in an account with J.P. Morgan Securities LLC (“JP Morgan”) and Charles Schwab & Co, Inc (“Schwab”). Both are the preferred qualified custodians of the managed portfolio’s assets. Both are members of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). See Item 12 for additional information regarding Brokerage Practices.

B. Account Statements

1. The Fund

The Administrators for the Funds will deliver transaction reports to PVC. Please be advised that PVC is not required to provide information about specific investment transactions of the Fund to the Limited Partners. Nonetheless, on a monthly basis, PVC will provide Limited Partners with unaudited performance reports and other pertinent information regarding the Fund’s performance. Additionally, the Fund is subject to an annual audit by an accountant that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board (“PCAOB”). The audited financial statements are distributed to Limited Partners within 120 days of the end of the Fund’s fiscal year.

2. Portfolio Management Clients

Clients invested in separately managed accounts, will receive statements by mail or electronically from the account custodian. Please review these statements carefully by comparing asset values, holdings, and advisory fees to that in previously received statements, confirmations, and advisory fee invoices.

3. Retirement Plans

Clients will receive statements at least quarterly, which include holdings and fee notifications.

Please review statements carefully comparing fees, holdings and activity to that in the previously received statements, confirmations, and advisory fee invoices.

Item 16 Investment Discretion

1. The Fund

PVC is not limited in its authority to purchase or sell securities for the PVC Fund. PVC has complete discretion and authority to make all investment decisions with respect to the types and the amount of securities to be bought or sold for the PVC Fund.

2. Portfolio Management Services

Generally, clients will grant to PVC complete discretion and authority to make all investment decisions with respect to the types of securities to be bought or sold and the amount of securities to be bought or sold. Notwithstanding the foregoing, all discretionary trades made by PVC on behalf of a client will be in accordance with that

client's articulated investment objectives and goals, and, as such, may be subject to various limitations.

Item 17 Voting Client Securities

1. The Funds

PVC will exercise all designated rights, powers and privileges of ownership in all partnership property, including the right to vote, give assent, execute, and deliver proxies, and that the Partnership's proxy voting policies override the undersigned's proxy voting policies. The undersigned hereby adopts the voting policies of the Partnership for purposes of its investment in the Partnership. PVC has adopted proxy voting policies and procedures for voting proxies on behalf of the Fund.

2. Portfolio Management Services

PVC will not vote nor advise clients how to vote proxies for client securities held in separately managed accounts. Clients are responsible for directing their own proxies solicited by issuers of securities, including making elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings and other types of events pertaining to the securities in your account. Clients will receive proxy and other solicitation information by mail from the account custodian.

Item 18 Financial Information

A. Balance Sheet Requirement

PVC does is not the qualified custodian for client fund or securities, and does not require prepayment of fees of more than \$500 per client, six (6) months or more in advance.

B. Financial Condition

PVC does not have any financial impairment that would preclude the Firm from meeting contractual commitments to Clients.

C. Bankruptcy Petition Filings

PVC has not been the subject of a bankruptcy petition at any time during the last 10 years.

Item 19 Requirements for State-Registered Advisers

A. Firm Management

PVC is owned principally by Anthony R. Stacy and Paul A. Ross. Anthony R. Stacy owns 52% of PVC and Paul A. Ross owns 40%. In addition to serving as managing member, Anthony R. Stacy is the Chief Compliance Officer (CCO) of the Firm.

The education and business background for management and investment adviser representatives can be found in the attached Brochure Supplement (Form ADV 2B) for the Firm.

B. Other Business Activities

PVC is not engaged in any other business other than giving investment advice.

C. Performance-Based Fees

As stated in Item 6, PVC does assess Performance-Based Fees (“Performance Allocations”) for the Funds only. Performance Fees are based on a share of the capital gains or capital appreciation of the assets of a client. Fees based on performance means PVC participates directly in the account’s results.

The Firm receives an annual Performance Fee in the amount equal to twenty (20%) of the net capital appreciation allocated during each year.

Performance-based compensation may create an may, indirectly, create an incentive for the Firm to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such allocation. To mitigate any conflicts of interests, the investments will be reviewed daily by the Chief Compliance Officer to ensure that investments are in line with fund objectives and investments do not incur extraordinary amount of risk.

D. Disciplinary Disclosure Reporting

D.1. Arbitration Claims

Neither the Firm nor its management persons has been found liable in any arbitration claim alleging damages in excess of \$2,500 involving an investment or investment-related business or activity, fraud, false statements or omissions, theft, embezzlement or other wrongful taking of property, bribery, forgery counterfeiting or extortion or dishonest, unfair or unethical practices.

D.2. Civil, Self-Regulatory Organization (SRO), or Administrative Proceeding

Neither the Firm nor its management persons has been found liable in any civil, self-regulatory organization, or administrative proceeding involving an investment or investment related business or activity, fraud, false statements or omissions, theft embezzlement or other wrongful taking of property bribery, forgery, counterfeiting, or extortion; or dishonest, unfair or unethical practices.

E. Relationships or Arrangements with Securities Issuers

Neither PVC nor its management has any relationship or arrangement with any issuer of securities.

Privacy Policy

PVC does not disclose nonpublic personal information about its clients or former clients to any persons other than as described below. PVC collects information about its clients (such a name, address, social security number, assets and income) from discussions with clients, from documents that clients may deliver to PVC (such as account applications) and in the course of providing services. In order to service its client accounts and effect client transactions, PVC may provide client personal information to its affiliates and to firms that assist it in servicing client accounts and which have a need for such information. PVC does not otherwise provide information about its clients to outside firms, organizations or individuals except as required by law. Any party that receives this information will use it only for the services and as allowed by applicable law or regulations, and is not permitted to share or use this information for any other purpose.