

Price Capital Management, Inc.

85 Chanteclair Circle
Gulf Breeze, FL 32561

850-934-6300

January 31, 2012

This Brochure provides information about the qualifications and business practices of Price Capital Management, Inc. (“PCM”). If you have any questions about the contents of this Brochure, please contact us at 850-934-6300. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

PCM is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about PCM is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated January 31, 2011 is a new document prepared according to the SEC’s rules and regulations.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of the last annual update of our brochure.

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a copy of our Brochure at any time without charge upon your request by contacting Dexter Lyons, Operations Manager at 337-983-0676 or dexter@pcm-mail.com.

Additional information about PCM is available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with PCM who are registered as investment adviser representatives of PCM.

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Item 4 – Advisory Business

PCM was formed in 1996. Michael Price is the sole owner and control person.

As of December 31, 2011, PCM had \$352,229,584 in discretionary assets under management. PCM does not manage any assets on a non-discretionary basis.

PCM provides investment supervisory services to five (5) private funds: Price Flex Fund, Price Flex-QP Fund, Price Flex Qualified Fund, Price Flex Qualified-QP Fund and Price Fund AQ. The private funds were formed by Price Asset Management, Inc., the General Partner to each of the Funds. Price Asset Management, Inc. is owned and controlled by Michael Price.

PCM utilizes a range of investment strategies, including investing in publicly-traded equity securities, both long and short, as well as a broad array of other securities in both private and public markets. The Price Funds use a flexible investment approach that emphasizes capital preservation, but allows the Investment Manager to adopt a less conservative posture and to increase emphasis on capital growth when the Investment Manager believes the additional risk is warranted by favorable market conditions. To achieve its objective, PCM intends to invest primarily, but not necessarily exclusively, in mutual funds, exchange traded funds, individual stocks and bonds, and various derivative products.

Four of the private funds (Price Flex Fund, Price Flex-QP Fund, Price Flex Qualified Fund, and Price Flex Qualified-QP Fund) share a single objective and investment style. However, the Funds differ significantly by organizational structure and their applicability to specific accounts. Two funds (Price Flex Fund and Price Flex-QP Fund) are available for taxable accounts. Two funds (Price Flex Qualified Fund and Price Flex Qualified-QP Fund) are available for qualified or tax-deferred accounts. Two funds (Price Flex-QP Fund and Price Flex Qualified-QP Fund) are available only to investors who qualify as “Qualified Purchasers”. The following diagram illustrates the form and structure of these four Funds.

	Accredited Investors	Qualified Purchasers
Taxable Accounts	Flex Section 3(c)(1) Fund Accredited Investors Taxable Accounts	Flex-QP Section 3(c)(7) Fund Qualified Purchasers Taxable Accounts
Qualified Accounts	Flex Qualified Section 3(c)(1) Fund Accredited Investors Tax-deferred Accounts	Flex Qualified-QP Section 3(c)(7) Fund Qualified Purchasers Tax-deferred Accounts

The fifth private fund managed by PCM, the Price Fund AQ, is a pooled investment vehicle organized under section 3(c)(1) of the Investment Company Act. This Fund employs a conservative investment strategy. While the investment process and philosophy is similar to the Funds discussed previously, the Price Fund AQ does not utilize margin and, therefore, carries less risk than the other Funds.

Each private fund is managed according to the investment objectives, strategies and guidelines outlined in each respective Fund's private placement memorandum. Investment decisions are not tailored to the individualized needs of any particular investor. Therefore, investors must consider whether the Funds meet their investment objectives and risk tolerance. Prior to investing, PCM will provide each investor with a private placement memorandum that provides detailed information about the Fund, including investment strategy, risks, fees, conflicts of interests and other required disclosures. Investors should read the private placement memorandum in its entirety before making an investment into any pooled investment vehicle.

Item 5 – Fees and Compensation

Fees and expenses paid by private funds are described to investors, in detail, in each Fund's private placement memorandum.

PCM investors who are "qualified clients" as that term is defined in federal securities laws have the option of selection one of two fee structures: a performance-based fee or a fixed fee only.

The performance-based fee consists of (1) a monthly management fee computed at an annual rate of 0.95% of the capital account balance, calculated and payable monthly in advance; and (2) an annual performance-based profits allocation payable at the end of each year in the amount of ten percent (10%) of the annual combined net profits of the Fund attributable to each account, but only to the extent that such profits exceed any losses carried forward from prior years, based on a "high water mark" formula.

The fixed fee only structure consists of a higher monthly management fee at an annual rate of 2.5% of the assets under management, calculated and payable monthly in advance, and not subject to the performance-based allocation.

To the extent that an investor in a private fund is not a "qualified investor", such investor will be charged the fixed fee only structure at an annual rate of 2.5% of the assets under management, calculated and payable monthly in advance, and is not eligible to participate in the performance-based fee.

To the extent that PCM utilizes margin to leverage the investments in the Funds, margin strategies entail additional fees and expenses, as the Funds must pay interest on any amounts borrowed against the account. When using margin, investment advisory fees are calculated on the net account balance (rather than the total market exposure) in order to avoid any incentive for PCM to use margin to potentially increase the fee paid by the client.

Investors may withdraw all or a portion of their capital account on the first day of each calendar month by providing written notice to PCM by the 20th calendar day of the previous month, or otherwise at the general partner's discretion. Specific procedures and restrictions apply to withdrawals and terminations, as described in each Fund's private placement memorandum. The general partner, in its sole discretion, may impose minimum redemption amounts and require the maintenance of a minimum capital account size in the event of a partial withdrawal. The general partner may also, in its sole discretion, require an investor to redeem all or part of its interest in any particular Fund.

All fees paid to PCM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or in conjunction with internal expenses associated with exchange-traded funds. The client will be solely responsible, directly or indirectly, for these additional expenses. PCM does not receive any portion of these additional fees. Refer to Item 12 for a detailed discussion of brokerage practices.

The investment advisory fee covers only the portfolio management and advisory services provided by PCM and does not include brokerage commissions, redemption fees, mark-ups and mark-downs, exchange fees, dealer spreads or other costs associated with the purchase and sale of securities, custodian fees, transfer fees, wire fees, interest, taxes, or other account expenses. Other fees paid by the Funds are attorney's fees, audit and accounting fees, administrator fees and any other fees or expenses deemed to be an obligation of the Funds. Refer to each respective Fund's private placement memorandum for a more detailed discussion of the fees and expenses associated with an investment in the Funds.

Item 6 – Performance-Based Fees and Side-By-Side Management

PCM structures any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940. In calculating the performance fee, PCM includes realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for PCM to recommend investments that are riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts when allocating investment opportunities among clients. To prevent this conflict from influencing PCM's portfolio management decisions and to avoid any potential to preference any account over any other, all Funds apply the same fee schedule.

Item 7 – Types of Clients

PCM offers its investment strategy exclusively to private funds. The qualifications and minimum account requirement for each of the Funds is provided below. The minimum investment for each of the Funds is current as of the date of this document. However, PCM may raise or lower the account minimums at any time at its discretion and without notice. PCM also may choose to waive any minimum investment requirement at its discretion.

Fund Name	Qualifications	Minimum
Price Flex Fund	Accredited Investor	\$1,000,000
Price Flex-QP Fund	Qualified Purchaser	\$1,000,000
Price Flex Qualified Fund	Accredited Investor	\$500,000
Price Flex Qualified-QP Fund	Qualified Purchaser	\$500,000
Price Fund AQ	Accredited Investor	\$500,000

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

We use chart analysis to meet the objectives of the Funds with the goal of achieving above market average returns with below market average drawdown and risk. We use business cycle analysis in an attempt to avoid the steep losses associated with bear markets and to recognize particularly favorable market environments since four of five Funds' objectives allow us to invest more aggressively during such periods.

All Funds except Price Fund AQ may utilize margin to manage the market exposure of each of the respective Funds. Margin transactions involve borrowing money to make additional investments using the securities held in each Fund as collateral. Margin transactions involve significantly more risk than cash transactions in that you can lose more money than you invested. Brokerage firms require a minimum amount of capital in order to maintain margin balances. If the Funds do not maintain the minimum, the broker could require additional capital or force the Funds to sell securities in falling markets.

All Funds may invest in swaps created for the purpose of increasing market exposure through a series of derivative transactions. Swaps are an agreement between the Funds (in this case, the General Partner, Price Asset Management) and a counter-party (a financial institution). The parties agree to make payments to each other based on the performance of one or more securities. Swaps increase risk to the Funds for two primary reasons. First, swaps permit the Funds to maintain a higher amount of leverage than a typical margin account will allow. And second, there is additional risk that the counterparty will not be able to fulfill its obligations in the transaction.

A discussion of the risks involved with each Fund's investment strategy is detailed in each respective Fund's private placement memorandum.

Research data is obtained from a variety of sources, although the primary source of information comes from Investors FastTrack, Worden Brothers Telechart, TD Ameritrade and Ceros Financial Services. These research products provide a comprehensive quantitative analysis tool, which allows PCM to analyze performance and risk measurements to aid in constructing portfolios consistent with the objectives described in the applicable private placement memorandum.

Investing in securities involves risk of loss that clients should be prepared to bear. PCM uses its best judgment and good faith efforts in providing advisory services to clients. PCM cannot warrant or guarantee any particular level of account performance, or that an account will be

profitable over time. Not every investment decision or recommendation made by PCM will be profitable. Investments in securities are subject to various market, currency, inflation, economic, political and business risks. PCM attempts to minimize these risks by using technical indicators, trading strategies and hedging techniques.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of PCM or the integrity of PCM's management. PCM has no disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

As discussed previously, Price Asset Management, Inc. created five (5) private funds: Price Flex Fund, Price Flex-QP Fund, Price Flex Qualified Fund, Price Flex Qualified-QP Fund and Price Fund AQ. Interests in such Funds will only be offered to a limited number of investors who are able to bear the risk of an investment in the Funds and who meet the requirements set forth in each Funds' offering documents.

At times, PCM makes investments in a private fund, the RAM Price Fund. Rafferty Asset Management is the investment adviser to the RAM Price Fund. RAM Price is used as a trading vehicle for certain investment strategies (i.e. leverage, swaps, etc.) PCM acts as an investment consultant to the RAM Price Fund to provide guidance with respect to investment strategy and market exposure levels; however, Rafferty Asset Management ultimately makes all investment decisions. PCM does not receive any fees from Rafferty Asset Management as investment consultant to the RAM Price Fund. Furthermore, the RAM Price Fund does not accept any investments by anyone other than PCM.

Michael Price also owns Investors OnTrack, Inc., which publishes an investment newsletter available by subscription. Investors OnTrack, Inc. does not give investment advice and does not act as an investment adviser. The newsletter provides an analysis of the stock market that may include an overview of business cycle indicators, market breadth sector performance, and suggested areas of the market for aggressive and conservative investors to focus their portfolios.

Lee Harris, Chief Compliance Officer of PCM, owns and operates Lee Harris Capital Management, Inc. ("LHCM"), a state-registered investment adviser in Gulf Breeze, FL. While PCM and LHCM employ a similar active trading and risk management style, trading decisions for each firm are made independently of each other. Clients of LHCM are not solicited to invest in any PCM Funds. Likewise, investors in PCM Funds are not solicited to obtain the advisory services offered by LHCM.

Dexter Lyons, Operations Manager of PCM, is co-owner of Horizon Capital Management, Inc. ("HCM"), an SEC-registered investment adviser in Lafayette, LA. Horizon Capital Management is the sub-adviser to the Direxion HCM Freedom Fund, a registered investment company, where

Dexter serves as Portfolio Manager. While PCM and HCM employ a similar active trading and risk management style, trading decisions for each firm are made independently of each other. Clients of HCM are not solicited to invest in any PCM Funds. Likewise, investors in PCM Funds are not solicited to obtain the advisory services offered by HCM or to purchase shares of the Direxion Horizon Freedom Fund.

Item 11 – Code of Ethics

PCM requires all officers, directors, and employees to adhere to the Code of Ethics. The purpose of the Code of Ethics is to ensure that PCM conducts its business with the highest level of ethical standards and fulfills its fiduciary duties to its clients. PCM has a duty to exercise its authority and responsibility for the benefit of its clients, to place the interests of its clients first, to refrain from having outside interests that conflict with the interests of its clients, to safeguard clients' personal information, and to comply with all federal securities laws as they apply to the business of PCM. PCM and its employees must avoid any circumstances that might adversely affect or appear to affect its duty of loyalty to its clients. A complete copy of the Code of Ethics will be furnished upon request.

An investment adviser's Code of Ethics requires certain employees (Access Persons) to report their personal securities holdings within ten days of being hired and annually thereafter, and are required to report securities transactions within thirty days of the end of each calendar quarter. In addition, any investment in an IPO or limited offering must be pre-approved by the Chief Compliance Officer prior to any transaction by the employee. The Chief Compliance Officer or other designated person reviews the personal investment activity of each employee to ensure employee trading activity does not conflict with advice provided to clients.

Employees are permitted to invest in the same securities that are purchased and sold for client accounts, including investing in the Funds offered by PCM. Interests in the Funds will only be offered to a limited number of investors who are able to bear the risk of an investment in the Funds and who meet the requirements set forth in each Funds' offering documents. PCM receives a management fee as well as an incentive fee on the assets invested in the Funds. The Funds employ certain investment strategies and engage in activities such as short selling and the use of leverage, which may increase the risk of loss to investors.

Item 12 – Brokerage Practices

PCM primarily utilizes TD Ameritrade and Ceros Financial Services as custodians for the Funds and to execute transactions for the purchase and sale of securities. The reason for preferring these brokers are their discounted commission rates; availability of no-load mutual funds; electronic trading capabilities; online access to account information; dedicated service team; and familiarity of our staff with their operational procedures. PCM receives no fees or compensation as a result of the custodial or brokerage relationship.

Limited Partners participating in the Funds through their IRA assets are required to maintain an account at TD Ameritrade. Limited Partners do not pay any additional fees to PCM or to TD Ameritrade because of this requirement.

PCM regularly assesses the services provided by TD Ameritrade and Ceros Financial Services to determine that the reasonableness of commissions is consistent with their ability to provide quality services to PCM and its clients. PCM believes that, in consideration of all services provided by the custodians/brokers, including but not limited to commission rates and other fees, the custodians/brokers are providing overall execution quality consistent with PCM's duty to seek best execution for its clients.

PCM seeks to negotiate the best overall fee available to the client considering such items including, but not limited to, cost, margin interest rates, execution quality, research, service, technology, and trade facilitation.

PCM may choose, but is not required, to aggregate orders consistent with its policy of seeking best price and execution. Accounts participating in an aggregated order participate at the average share price. Partially filled transactions will be allocated pro-rata based on each account's participation in the transaction.

PCM currently does not have any formal soft dollar arrangements. PCM may receive proprietary research from brokers. Research services may include, but are not limited to, market or financial data; economic studies or forecasts; pricing and availability of securities; and analyses concerning specific companies, industries, or sectors. The value of any research received is not dependent on any specific amount of commissions paid to a particular broker. PCM's soft dollar practices are consistent with its fiduciary duty to seek best overall execution for client transactions.

Item 13 – Review of Accounts

Fund holdings and market exposure are reviewed daily to ensure each Fund is positioned appropriately given the current market conditions. Michael Price is responsible for the reviews and all investment decisions for each Fund.

Investors in the Funds receive a monthly report of their respective Capital Account that show the beginning and ending value of their investment in the Fund(s), any deposits or withdrawals and the performance of their account. Reports for Fund investors are prepared by the Funds' third-party administrator. Investors will also receive an annual audit report prepared by an independent certified public accountant within 120 days of the funds fiscal year end.

Item 14 – Client Referrals and Other Compensation

PCM has access to free or discounted research materials from broker-dealers and/or third-party providers in exchange for having client assets custodied at TD Ameritrade. TD Ameritrade may

provide free industry information that does not qualify as research, such as newsletter or other publications pertaining to compliance, marketing, practice management, etc. Benefits may also include attendance at sponsored events, such as workshops and conferences, at reduced cost or no cost and may include payment or reimbursement for travel, lodging, meals and/or entertainment. These benefits are not provided on the basis of client transactions. Under no circumstances do any clients pay additional fees or commissions in order to obtain these products or services.

Item 15 – Custody

PCM complies with the requirements of the Custody Rule under the Investment Advisers Act of 1940 with regard to the custody of Private Funds, including engaging the services of an independent accountant to conduct a financial audit of the private funds each year. A copy of the audit is provided to participants in the funds within 120 days of each Fund's fiscal year-end.

Item 16 – Investment Discretion

The advisory agreement between PCM and each Fund provides PCM with discretionary authority over the Funds. This authorization gives PCM the authority to determine, without first obtaining specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold, the broker/dealer used for execution of client transaction, and the commission rate paid by the client.

Item 17 – Voting Client Securities

PCM will not take action or render any advice with respect to voting of proxies for the securities in client accounts. PCM will have no obligation to render advice or take any action with respect to any securities subject to any legal proceedings, such as class action lawsuits or bankruptcy.

With respect to the Funds, Price Asset Management, Inc. as General Partner will retain all proxy voting responsibilities. Price Asset Management, Inc. may choose to vote with management, against management or abstain from voting altogether.

Item 18 – Financial Information

Registered investment advisers are required to provide you with certain financial information or disclosures about PCM's financial condition. PCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Brochure Supplement – Michael Price

This Brochure Supplement provides information about Michael Price that supplements the PCM Brochure, which is attached to this document. Please contact Dexter Lyons, Operations Manager, at 337-983-0676 or dexter@pcm-mail.com if you have any questions about the contents of this supplement.

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Educational Background and Business Experience

Michael Price Year of Birth: 1945

Education:

1971	BS, Applied Physics	Auburn University
1979	MS, Systems Management	University of Southern California
1991	MA, National Security and Strategic Studies	United States Naval War College

Business Background:

Price Capital Management, Inc	President/Portfolio Manager	1997 - Present
Investors OnTrack, Inc.	President	1993 - Present
U.S. Navy	O-6, Captain	1963 - 1994

Disciplinary Information

There are no disciplinary actions to disclose.

Other Business Activities

Michael Price is President of Price Asset Management, Inc.. Price Asset Management, Inc. is the General Partner to the Price Flex Fund, Price Flex-QP Fund, Price Flex Qualified Fund, Price Flex Qualified-QP Fund, and Price Fund AQ. These Funds are offered to clients who meet the qualifications set forth in each respective Fund's private placement memorandum.

Michael Price also owns Investors OnTrack, Inc., which publishes an investment newsletter available by subscription.

Additional Compensation

Michael Price does not receive additional compensation or other economic benefit from any third party in connection with the advisory services offered to clients.

Supervision

Michael Price is the President of PCM and is responsible for all supervisory functions.