



ARQUE ADVISORS, LLC

# Arque Advisors, LLC

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This Brochure provides information about the qualifications and business practices of Arque Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at 914-967-8900, or (203) 571-1088 and/or David Bullock [dbullock@arqueadvisors.com](mailto:dbullock@arqueadvisors.com) or Erik Olsen at [eolsen@arqueadvisors.com](mailto:eolsen@arqueadvisors.com).

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.

ARQUE ADVISORS, LLC 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 Arque Advisors is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## Material Changes

In the fourth quarter of 2013, Arque Advisors launched a comingled investment product, Arque Concert Equity Partners LP (**Arque Concert Fund**). The Arque Concert Fund invests in non-US equities by using exchange traded funds, **ETF's**, to express its investments and employs the downside risk control models of the Ferrell Capital RiskVantage system. Arque Advisors also manages separate accounts for its clients in US and International ETFs using the RiskVantage system.

In the first quarter of 2014, the Arque Tax Receivable Fund (**ATR**) reached agreement to sell substantially all its tax certificate portfolio to another major tax lien fund. Once consummated the ATR is expected to be closed by its General Partner, Arque Certificate Management (**ACM**) the tax lien management affiliate of Arque Advisors. ACM will remain active in the tax certificate business and expects to assist owners of tax certificates in the monetization of their seasoned tax lien investments.

Later in the first quarter, Arque Advisors entered into an agreement with Trevor Stewart Burton & Jacobsen, Inc. (**TSBJ**) to provide key management and marketing resources targeted at the Taft Hartley and public employee retirement markets. TSBJ is a New York based registered investment advisor that since 1974 has provided fixed income and equity investment management services to institutional and high net worth clients.

This Brochure may be requested by contacting David Bullock at (914) 316-8800 or [dbullock@arqueadvisors.com](mailto:dbullock@arqueadvisors.com). Our Brochure is also available on request or on our web site [www.arqueadvisors.com](http://www.arqueadvisors.com), free of charge.

Additional information about Arque Advisors LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Arque who are registered, or are required to be registered, as investment adviser representatives of Arque Advisors LLC.



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## Advisory Business

Arque Advisors, LLC ["Arque Advisors" or "Arque"] has been in business as a registered investment advisor since 2007. In 2011, Arque Advisors merged with LHO Group which operated as an independent investment advisor from 1991 to 2008. The principal owners of Arque Advisors are David Bullock, Managing Director and Chief Operating Officer and Erik Olsen, Managing Director and Chief Investment Officer.

Arque provides investment management services to individuals, institutions, family offices and directly or indirectly through affiliates to private investment funds.

## Investment Management Services

Arque Advisors provides investment advisory services. These services may be provided on a discretionary or non-discretionary basis and include ongoing monitoring, supervision and management of client's investment portfolios. Periodic discussion is held with clients and the Arque account representative.

To determine a suitable course of action for an individual client, Arque Advisors performs a review of the client's financial situation. Such review may include, but is not limited to, review of a client's investment objectives, overall financial condition, income and tax status, personal vs. business assets, risk profile, and other factors unique to the client.

Some examples of Arque's investment advisory services include the following:

- **Portfolio Management** this includes, security selection and recommendations, manager selection and recommendation and other forms of investment advice and recommendations.
- **Separately Managed Accounts.** In this program an account is managed on a discretionary basis by an investment adviser or Arque. Client accounts may be managed by Arque Advisors, or Arque may refer its clients to outside investment advisers who perform specific investment advisory or portfolio management services for a client's account. When Arque recommends outside investment advisers to perform such services for its client accounts, Arque monitors the outside investment advisers' performance with respect to such accounts. Custody of separately managed accounts may be at a firm at the direction of Arque or with another firm as specified by the client.

Specific services and fees related to such programs are available in the outside investment adviser's current disclosure document(s).



- Individually managed accounts take into account the suitability of the strategy and investments for the individual client, based on their stated investment goals and objectives, their risk tolerance, their financial situation, including age, income, dependents, and other assets.
  - If a client wishes to impose specific restrictions to investment choices, the instructions will be documented separately and kept in the client's file.
  - Arque representatives have periodic discussions with clients about their accounts and any changes to their suitability or financial situation, not less than annually.
  - The selection of investment managers may be provided on a discretionary or non-discretionary basis where Arque has the authority to hire or fire the investment manager.
- **Due Diligence** Background checks, due diligence analysis, selection and management of sub-advisers and established third-party research services for clients.

Arque may furnish investment advice through consultations not included in any of the services described above. These may include advice to a client on matters not involving securities. Such matters may involve issues related to tax planning and/or preparation, insurance-related products, and general consulting services. Arque generally counsels with outside tax/accounting and legal advisors as well as insurance providers to provide these services if the complexity of these issues rise. The costs of these services are handled on a flat fee/hourly basis and are agreed in advance, based on the specific services provided.

**Arque Tax Receivable Fund:** Arque Tax Receivable Fund (**ATR**) is managed by Arque Certificate Management Group (**ACM**) the tax lien management affiliate of Arque Advisors. The fund invests in real property tax lien certificates consistent with Arque's capital preservation strategy. Tax lien certificates represent a fraction of the underlying real property value on which the lien is based. Furthermore, the liens are senior to all mortgage debt on those properties.

The Fund is an open ended investment vehicle for accredited investors. It is targeted toward investors who desire shorter duration, principal protection, attractive risk adjusted returns, and liquidity. The Fund is organized to purchase tax certificates in over 13 states. The Fund has purchased tax certificates in 8 states with a major portion of its portfolio sourced in Florida and New Jersey. A complete discussion of the investment goals and objectives, fee structure and risks is presented in the ATR Private Placement Memorandum. In the first quarter of 2014 ACM entered into an agreement to sell the tax certificate portfolio of the ATR and expects to discontinue the ATR by the end of 2015.



**Arque Concert Equity:** The Arque Concert Equity strategies offer risk controlled investments in the equity markets and are designed to capture upside while avoiding significant downside losses from turbulent markets.

Arque Advisors is the Investment Manager of the Arque Concert Equity strategies. Arque manages the Arque Concert Equity strategies using the RiskVantage System created and managed by Ferrell Capital Management, LLC (FCM). ([www.ferrellcapital.com](http://www.ferrellcapital.com)). The RiskVantage system generates multiple measures of market risk for each market sector that is managed. FCM using RiskVantage advises Arque to increase, reduce or sell portfolio exposures or to move to cash as market risk is falling or rising.

Arque Concert Equity Partners LP (**Arque Concert Fund**) was launched as a comingled investment program to invest in the international markets late in 2013. The Arque Concert Fund provides market exposures to most of the non-US equity markets and makes daily changes to its portfolio using the advice of the FCM RiskVantage system. The Arque Concert Fund employs additional features in its strategy that are best executed in a comingled vehicle.

Arque Advisors also manages client investments through separate accounts using the Arque Concert International and the Arque Concert US Equity strategies. The Arque Concert International and the Arque Concert US Equity strategies are expected to produce returns close to the MSCI index and the S+P 500 Indexes, respectively, their benchmarks during periods of positive performance. During declining markets the Arque Concert strategies are expected to show significantly lower losses than the Indexes by reducing exposures during periods of market stress. Arque Advisors implements the Arque Concert International Strategy using Global ETF's. Arque Concert US Equity strategy uses Large Cap US Sector ETF's.

Over the past 25 years William G. Ferrell and FCM developed the RiskVantage methodology and have provided analytics for risk controlled investing to major global investors. FCM is independent of Arque Advisors. However two key Principals of FCM are affiliated with Arque Advisors, LLC and execute the daily rebalancing or portfolio trading in these strategies.

**CPM Arque Precious Metals Fund, LP:** The CPM Arque Precious Metals Fund is a hedged precious metals income fund (the CPM Arque Fund). The General Partner of the CPM Arque Fund is CPM Arque Capital Partners, LLC, a Company jointly owned by Arque Advisors and the CPM Group of New York ([www.cpmgroup.com](http://www.cpmgroup.com)). A wholly owned affiliate of the CPM Group is the Investment Manager of the CPM Arque Fund which invests using the research analysis and



investment recommendations of the CPM Group. All investments of the CPM Arque Fund are overseen by the Management Committee of the General Partner.

The CPM Arque Fund invests in primarily long physical gold, silver, platinum, and palladium positions which are stored in rated vaults in the United States. At times the CPM Arque Fund may hedge a portion of its exposure to potential declines in the value of its precious metals holdings, using futures, forwards, options, or other hedging mechanisms.

The CPM Arque Fund also seeks to generate income at times by leasing a portion of the gold, silver, platinum or palladium metal it holds to corporations or other entities, and by selling out of the money calls and call spreads, or with other strategies that the Investment Manager may devise or become aware of. The income generated in these actions can be relatively small; the intention at all times is to try to cover the CPM Arque Fund's costs and fees including but not limited to storage and insurance costs and management fees, and also, to at times generate limited amounts of additional income.

**The following Funds are managed by Principals of Arque Advisors. They are closed to new investors.**

**OAK Real Estate Investment Fund:** OAK makes mezzanine loans and preferred equity investments in commercial real estate. OAK is managed by OAK Real Estate Investment Partners, LLC. Erik Olsen is a principal of Oak Real Estate Investment Partners which operates independently from Arque Advisors.

**Arque Constellation Fund:** Arque Constellation Fund is a multi-strategy investment portfolio of mostly earlier stage or smaller hedge fund strategies. This fund is managed by Arque Advisors and the investments represent various managers and strategies identified by Arque Advisors in the development of its multi-manager investment platform.

**RC Partners** RC Partners provides development equity in a moderate income housing project in return for income tax credits. RC Partners is managed by Arque Advisors.



## Assets Under Management

Arque currently manages directly and through its affiliates approximately \$38 million on a discretionary and non-discretionary basis. This includes assets managed under affiliate funds that are closed to new investments. This does not include assets managed by Trevor Stewart Burton & Jacobsen, Inc.

## Fees and Compensation

### **All Arque fees are subject to negotiation.**

The specific manner in which fees are charged by Arque is established in a client's written agreement with Arque. Arque ordinarily bills its fees on a quarterly basis in arrears unless agreed otherwise in writing. Clients may elect to be billed directly for fees or to authorize Arque to directly debit fees from client accounts. Management fees are prorated for each additional capital contribution and withdrawal in (excess of 5% of the account) made during the applicable calendar quarter. Accounts terminated during a calendar quarter are charged a prorated fee. Upon termination of any account, any earned, unpaid fees is due and payable.

Unless agreed in writing, Arque's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses incurred by a client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

### **Annual Asset-Based Fee Schedule:**

<b>Account (s) Value</b>	<b>Annual Percentage (charged quarterly)</b>
Less than \$100,000	1.75%
\$100,001 to 250,000	1.50%
\$250,001 to 500,000	1.35%
\$500,001 to 1,000,000	1.25%
\$1,000,001– \$3,000,000	1.00%
\$3,000,001 and up	Negotiable
<b>This schedule is used as a guideline only; all fees are subject to negotiation at the sole discretion of Arque.</b>	





## **Annual Asset-Based Fees (Third-Party Adviser):**

Outside investment managers recommended or selected by Arque charge their own advisory fees for managing client assets/accounts. These fees will generally be based on a percentage of the clients' assets under management with the third party manager. Additional details related to fees charged by outside investment advisers will be explained in any such managers' disclosure document. Regardless of the other investment manager's billing practices, Arque's compensation may be received by Arque from the other manager in accordance with the normal and customary billing practices as outlined in the outside investment adviser's disclosure document.

Although there is a potential for conflicts of interest between accounts paying higher fees and those paying lower or negotiated fees, Arque makes every effort to base decisions on the goals and objectives of the client, and does not consider management fees when making investment decisions.

## **Pooled Funds:**

Arque has affiliations with pooled funds managed by its affiliates. Currently the only pooled funds open to new investors are the Arque Concert Fund and the CPM Arque Fund. Information for the Arque Concert Fund and the CPM Arque Fund are provided in their Private Placement documents. These funds are only open to accredited investors. The Arque Concert Fund and the CPM Arque Fund share a portion of fees paid by clients under their Partnership Agreements with Arque where Arque provides introductions to the funds. Client fees payable to these funds are the same whether they are introduced by Arque or not.

## **Hourly Fees:**

Arque may charge an hourly consulting fee for its advisory services. Arque's hourly fees are negotiable, but generally range from \$250 to \$500 on an hourly basis, depending upon the level and scope of the services required.

Arque's hourly rate is determined based on anticipated work to be done. Since Arque cannot accurately determine the hourly fee amount until learning about client's financial circumstances, it is Arque's practice to provide an initial, no obligation, no cost meeting in order to become familiar with the client's circumstances.



Hourly fees are billed monthly in arrears as specific services are performed for clients. Hourly fees are calculated by multiplying the number of hours of service performed by the designated hourly rate (i.e. # of hours times designated hourly rate).

Although there is a potential for conflicts of interest between accounts paying assets under management fees and those paying hourly fees, Arque makes every effort to base decisions on the goals and objectives of the client, and does not consider management fees when making investment decisions.

### **Other Fee Considerations:**

**Billing by Custodian.** Contemporaneously with the execution of a Client New Account Agreement (CAA), the client may be asked to sign an authorization that will allow the custodian of any of his/her accounts to debit such account(s) the amount of certain service fees owed to Arque and remit such to Arque. The authorization shall remain valid until a written revocation of the authorization is received by Arque. In connection with this fee deduction process, the custodian shall send to the client a statement, at least quarterly, indicating:

- All amounts disbursed from the account, and;
- The amount of advisory fees paid directly to Arque.

**Direct Billing.** Arque may choose to bill a client directly for fees. The client will be invoiced by the fifth business day of the month subsequent to the most recently ended calendar quarter. Payments will be due on or by the final business day of the month in which the invoice is generated.

In addition to Arque's investment advisory fee(s), the client may be assessed other fees by parties independent from Arque. The client may also incur, relative to certain investment products (such as mutual funds), charges imposed directly at the investment product level (e.g. advisory fees, administrative fees, and other fund expenses). Brokerage fees/commissions charged to the client for securities trade executions will be automatically billed to the client by the broker-dealer or custodian of record for the client account, not Arque. Unless agreed to otherwise in writing, any such fees are exclusive of, and in addition to, Arque's compensation. The client acknowledges he/she will be solely and directly responsible for fees, including other than Arque's fees billed directly to the client.



The following addresses the fees that Arque may charge for the services described in the previous sections.

### **Performance-Based Fees and Side-By-Side Management**

In some cases in pooled funds, Arque has entered into performance fee arrangements with qualified clients: such fees are subject to the terms of the pooled fund offering documents. Arque and its affiliates will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

In measuring clients' assets for the calculation of performance-based fees, funds shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for Arque to recommend investments which may be 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 in the allocation of investment opportunities. Arque has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. In most cases, pooled fund investments are in areas that are not open to individually managed accounts.

### **Types of Clients**

Arque provides portfolio management services to individuals, institutions, family offices and private investment funds.

The minimum account size for Arque is \$250,000. Arque may wave this minimum at its sole discretion. Accounts with less than \$250,000 may be subject to closure.

From time to time, Arque may provide investment advisory services to certain types of pooled investment vehicles such as hedge funds, private equity funds, venture capital funds, or other special purpose funds. Such products may be structured as direct participation programs and will generally be offered as privately placed securities offerings that are exempt from registration under the Securities Act of 1933 and or the Investment Company Act of 1940 in reliance on an exemption from registration thereunder.

From time to time, Arque may provide investment advisory services in regard to investment-related partnerships or other pooled investment vehicles, hedge funds and mutual funds that



offer hedge fund like strategies. Arque may also consult on setting up hedge funds, including sourcing service providers and legal structure.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear.

### **Charting and Technical Analysis and Models**

Arque may use technical analysis and models in making decisions about investing. Charting and technical analysis relies on the analysis of recent security price behavior as well as the volume of stock buys and sells. It may also look at the patterns and the relationship between various securities over some period of time. While these patterns may be useful in determining possible future price behavior, they may also be significantly altered by other changes in the fundamental aspects of a security, such as changes in earnings, changes in market structure and overall macroeconomic changes.

Losses from technical analysis may occur for a variety of reasons some (but not all) of which may include:

- Fundamental changes may alter technical expectations and result in declines in security prices.
- The interpretation of technical and charting patterns may be made incorrectly and result in declines in security prices.
- External factors that affect the overall market may override technical factors and cause security price declines.

The investment models that Arque uses are proprietary and are owned by its affiliate. These models have been developed over long periods of time and use complex mathematical algorithms for their recommendations. While Arque uses its best efforts to determine the accuracy of the methods and systems of the models it uses, it may not and cannot know completely the calculations behind the models. The models' while effective by definition cannot predict with complete certainty the direction of markets or the absolute timing on when investments should be made, held, reduced or eliminated.

### **Fundamental Analysis**

Arque uses fundamental analysis in making long term and cyclical changes to securities investing. This analysis ranges from looking at company specific elements such as earnings expectations, price/earnings ratios, price/earnings/growth ratios, technological or market changes as well as macro-economic changes that affect relative prices and short and long term economic growth factors.



Losses from fundamental analysis may occur for a variety of reasons some (but not all) of which may include:

- Unforeseen factors may change fundamental expectations.
- Fundamental expectations may not result in actual outcomes causing a decline in security prices.
- External factors that affect the overall market may override fundamental factors and cause security price declines.

Portfolio management decisions are made by the representative managing the account in consultation and in keeping with a client's stated goals and objectives. Investments include listed securities (stocks, bonds and options) as well as exchange traded securities (ETFs) mutual funds, non-traded REITs, non-traded investment funds (hedge funds, pooled funds) and proprietary funds. Arque will occasionally invest in securities that are considered "short" securities (i.e. securities that will go up in value when a related security goes down in value) or take "short" positions in securities which will benefit the portfolio when the security declines in value.

There is no predetermined hold time for securities held in portfolios. Arque expects in the case of the Arque Concert strategies for clients to experience a very high level of turnover. In other portfolios Arque expects securities turnover to be no more than once a year, but turnover may be more frequently or less frequently depending on factors affecting both the security and the overall market. Turnover will also be a function of the client's desire to be more aggressive and seek short-term trading gains. Short-term trading increases costs and risks, but is expected to have higher returns by capturing small movements in a security.

The price and potential for gain or loss of listed financial instruments are influenced by a large number of factors. These can be security specific such as earning reports, analysts' reports, new stories, management changes, takeover interest etc. They can also be market specific such as changes to date in macroeconomic reports, changes in interest rates, changes in industry reports, domestic and overseas political activities etc.

### **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 Arque or the integrity of Arque's management. Arque is not subject to any disciplinary measures and thus has no information applicable to this Item.



### **Other Financial Industry Activities and Affiliations**

Arque is affiliated with Milton Associates, LLC ("Milton"). Milton provides consulting services to fund managers and is also General Partner to the Arque Constellation Fund, LP. and Arque Concert Equity Partners LP. David Bullock serves as principal of Milton.

Arque is affiliated with Arque Certificate Management (ACM), the General Partner of the Arque Tax Receivable Fund (ATR). David Bullock, Scott Gordon, Robert Tam and Meridee Olsen are principals in ACM. Clients who wish to participate in ATR will not be charged advisory fees by Arque but will be billed separately for management fees by ATR. ATR may share management fees received from clients with Arque.

Arque is affiliated with Ferrell Capital Management (**FCM**) which provides investment direction for the Arque Concert Equity Strategies. Erik Olsen manages the execution of all trades implement for the Arque Concert Equity Strategies. Erik Olsen and Henrik Neuhaus are Managing Directors of Arque Advisors LLC and are Principals of FCM.

Arque is affiliated with Trevor Stewart Burton & Jacobsen Inc. (**TSBJ**) [www.tsbjinc.com](http://www.tsbjinc.com) a New York based investment advisory. George Hudspeth and Thomas Tomljanovic are Managing Directors of TSBJ and are also principals and IA's of Arque Advisors, LLC. David G. Bullock also provides management consulting services to TSBJ

Arque is affiliated with the CPM Group through its partnership with the CPM Group in CPM Capital Partners LLC the general partner of the CPM Arque Precious Metals Fund LP.

Arque is affiliated with OAK Real Estate Investment Partners, LLC (**OAK**) which manages two real estate investment funds and may offer other real estate investment products. Erik Olsen is a Principal in OAK. Clients who wish to participate in OAK related investments will not be charged advisory fees by Arque but will be billed separately for management fees by OAK. OAK may share management fees received from clients with Arque.

David Bullock has a Series 7 and 66 FINRA registrations. Erik Olsen holds Series 7, 24 and 63 FINRA registrations. Meridee Olsen holds Series 24 and 63 FINRA registrations.



Conflicts of interest that arise between various investment products and strategies are reviewed by the Chief Compliance Officer and the Chief Executive Officer. These conflicts are disclosed to clients in advance of the investment in any product or implementation of any strategy.

## **Code of Ethics**

Arque has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Arque must acknowledge the terms of the Code of Ethics annually, or as amended.

Arque anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Arque has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Arque, its affiliates and/or clients, directly or indirectly, have a position of interest. Arque's employees and persons associated with Arque are required to follow Arque's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Arque and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Arque's clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Arque will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Arque's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Arque and its clients. Pre-clearance approvals are made by David Bullock, or in his absence, Erik Olsen.



It is Arque's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Arque will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

At Arque, we take great pride in our commitment to serving our clients' needs and the integrity with which we conduct our business. In our recent history, the financial services industry has come under significant scrutiny, especially in the area of the inherent responsibility of financial professionals to behave in the best interests of their clients.

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, Arque has developed a Code of Ethics ("Code") as a means of memorializing our vision of appropriate and professional conduct in carrying out the business of providing investment advisory services. Our Code addresses issues such as the following:

- Standards of conduct and compliance with applicable laws, rules, and regulations
- Protection of material non-public information
- The addressing of conflicts of interest
- Employee disclosure and reporting of personal securities holdings and transactions
- The firm's IPO and private placement policy
- The reporting of violations of the Code
- Educating employees about the Code
- Enforcement of the Code

Each of Arque's representatives has been furnished with a copy of our Code and has signed their names to a written acknowledgement attesting to their understanding of the Code and acceptance of its terms. A copy of our Code is available to all clients upon request.

## **Brokerage Practices**

From time to time, Arque may refer a client to broker-dealers for the purposes of the effecting of securities transactions. For details as to what factors Arque may consider in selecting such





broker-dealers, see below. Arque is not a broker-dealer. Unless the client directs otherwise, Arque shall generally recommend that all the client's accounts be maintained at, by, or through certain other firms that are not affiliated with Arque. Such firms shall generally be broker-dealers that may also maintain registrations that allow such firms to engage in other types of businesses outside of their broker-dealer activities.

Although not all-inclusive, Arque generally recommends the following custodians:

- Charles Schwab & Co., Inc.
- Interactive Brokers, LLC
- Pershing, LLC
- Morgan Stanley & Co. Incorporated

Not all fees and commissions paid for similar services are the same for each custodian. Factors which Arque considers in recommending certain broker-dealers or custodians to clients may include such entity's financial strength, reputation, execution, pricing, and service. In return for effecting securities transactions through certain broker-dealers/custodians, Arque or certain of its representatives may receive certain support services that may assist Arque in its investment decision making process for all of Arque's clients. These may include research, allocations of new issues, securities recommendations and general market information.

In seeking best execution, the determinative factor is not always the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of brokerage services, including factors such as execution capability, commission rates, and responsiveness. Accordingly, although Arque will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for the client's account transactions. Arque does not have any "Soft Dollar" arrangements with any Broker/Dealer.

The client may direct Arque to use a particular broker-dealer (subject to Arque's right to decline and/or terminate the engagement) to execute some or all transactions for the client's account. In such an event, the client will negotiate terms and arrangements for the account with that broker-dealer, and Arque will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Arque. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.



Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Arque's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Arque will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

### **Review of Accounts**

The Firm reviews client's account(s) not less than quarterly. The client's objectives are used to review for suitability.

Events that may trigger further client account reviews in addition to the standard quarterly review process may include, but would not be limited to, a notable increase in the volume of requests by the client to effect transactions in his/her account(s), where such transactions may appear to be inconsistent with the client's previously stated investment objectives. Other factors may include requests by the client to liquidate certain securities positions/contracts where such transactions may appear to be inconsistent with the client's previously stated investment objectives. Additional triggering factors could be the performance on an individual account being an outlier to the performance of accounts with similar investment objectives, and a very important trigger would be customer complaints. This last trigger would be a prime example of a trigger for an intermittent review of a client account. In addition, if a client's goals or objectives change, or their overall financial situation changes (such as job loss or gain, inheritance, death of a spouse, etc.) accounts will be reviewed and appropriate changes made.

### **Client Referrals and Other Compensation**

Arque may enter into agreements with various independent solicitors that refer clients to the advisor. Arque does not charge clients introduced by third-parties, fees or costs greater than the fees or costs Arque charges its advisory clients who were not introduced by the third-party solicitors, and have similar portfolios under management with Arque. Any such agreements must be handled in accordance with the provisions of Rule 206(4)-3 under the Investment Advisers Act of 1940. For more information on our solicitor arrangements, please call (914) 967-8900.

Arque does not currently receive referrals from any securities broker dealers.



### **Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Arque urges you to carefully review such statements.

### **Investment Discretion**

Arque usually receives discretionary authority from a client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Arque observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Arque's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

### **Voting Client Securities**

As a matter of firm policy and practice, Arque does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Arque may provide advice to clients regarding the clients' voting of proxies.

### **Financial Information**

Registered investment advisers are required to provide you with certain financial information or disclosures about Arque's financial condition. Arque 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.