

## Part 2A of Form ADV: *Firm Brochure*

### **INDEPENDENCE CAPITAL MANAGEMENT, LLC**

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**This brochure provides information about the qualifications and business practices of Independence Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 626-584-6168 or at [info@independencecm.com](mailto:info@independencecm.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. Any references about Independence Capital Management as a “registered investment adviser” or as being “registered” does not imply a certain level of skill or training.**

**Additional information about Independence Capital Management, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for our firm is 133540.**

Item 2. Summary of Material Changes

This Brochure is our annual updating amendment. This item discusses only the material changes that have occurred since our last annual amendment dated March 20, 2013.

While we have no material changes to our business practices, Item 4 has been revised to disclosure our assets under management as of December 31, 2013.

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#### **Item 4. Advisory Business**

##### ***Investment Advisory Services***

##### **Introduction**

Independence Capital Management, LLC (“ICM”) is an investment management firm formed in 2004 and located in Pasadena, CA. ICM is registered as an investment adviser with the U. S. Securities Exchange Commission. ICM is owned by Schnieders Capital Management, LLC, Member, and managed by John Schnieders, and James Schnieders, the co-managing members and advised by Bill Schnieders, member. ICM provides investment supervisory services to private investment funds.

#### **PRIVATE FUNDS INVESTMENT MANAGEMENT**

ICM has organized and serves as the General Partner and discretionary investment adviser to a private investment fund, Decathlon Fund, L.P., a Delaware limited partnership (the “Fund”). ICM may decide in the future to sponsor or manage additional private investment funds. ICM intends to restrict the number of investors and will offer the interest in the Fund only through non-public offerings in order to maintain the Fund's exclusion from "investment company" status under the Investment Company Act of 1940, as amended.

The investment objective of the Fund will be to generate capital gains by pairing growth companies long against slow growth companies short, i.e., a strategy that balances long and short equity positions in an effort to reduce volatility. The firm can also use leverage. There can be no assurance that the investment objective of the Fund will be achieved. An investment in the Fund is subject to significant risks and conflicts of interest. Depending on market conditions, the fund may be more than 100% net long, or 100% net short.

As of December 31, 2013, we had \$2,699,626 of assets under management, all of which was managed on a discretionary basis. We do not manage any assets on a non-discretionary basis.

#### **Item 5. Fees and Compensation**

#### **PRIVATE FUNDS INVESTMENT MANAGEMENT SERVICES**

##### ***Management Fees***

For services rendered to the Fund, ICM receives an annual Management Fee of 2% per year of the capital account of each fund investor. The management fee will be paid monthly in arrears in accordance with the terms of the Fund’s Private Placement Memorandum, subscription agreement and other governing documents (collectively, the “Offering Documents”). ICM, in its discretion, may waive all or a portion of the management fee as to an investor, or may agree with an investor to other changes to the

management fee.

## **ADDITIONAL INFORMATION ON ADVISORY SERVICES & FEES**

In certain circumstances, all fees and account minimums may be negotiable.

### **Termination**

#### ***Private Funds***

The management agreement between ICM and the Fund may be canceled or terminated by ICM in a manner consistent with the Offering Memorandum and organizational documents. Upon termination, any earned, unpaid fees will be due and payable. Investors in the Fund are requested to refer to the applicable Offering Documents of the Fund for complete information on withdrawal and applicable investment "lock-up" periods.

#### ***Additional expenses and costs***

All fees paid to ICM are separate and distinct from any fees and expenses charged by mutual funds or exchange traded funds (ETFs) to their shareholders and separate from any management/performance fees charged by any private investment funds to their investors. These fees and expenses are described in each fund's prospectus or offering documents.

These fees will generally include a management fee, other fund expenses, and a possible mutual fund distribution fee or performance fee for private funds. If the mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund, ETF or private investment fund directly, without the services of ICM. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund, ETF or private investment fund(s) are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by ICM to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

ICM is a wholly owned subsidiary of Schnieders Capital Management, LLC ("SCM"), a separately SEC-registered investment adviser. As a matter of practice and policy, SCM does not include the value of any SCM advisory clients' assets invested in the Decathlon Fund, L.P., in the calculation of SCM's advisory fees. However, investments in other unaffiliated private investment funds will be included in the calculation of assets under management for fee calculation purposes.

#### ***Other Fees and Expenses***

Clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any commissions, custody

fees, transaction charges or mark-up/mark-downs imposed by a broker-dealer with which our firm effects transactions for a client's account(s). Please refer to the relevant Fund's Offering Documents for a complete understanding of each Fund's fees and expenses. The information contained herein is a summary only and is qualified in its entirety by the relevant Fund's Offering Documents. For more information regarding our brokerage arrangements, see Item 12 – Brokerage Practices.

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

For services rendered to the Fund, ICM will receive an annual performance fee in the form of an incentive allocation equal to 20% of the net capital appreciation, less capital depreciation and any accumulated net capital depreciation carried forward from prior periods, of each investor's capital account. The incentive allocation is payable only if, and to the extent that, the next capital appreciation of the investor's capital account exceeds any net capital depreciation accumulated in prior years (as adjusted for withdrawal of capital). ICM, in its discretion, may waive all or a portion of the incentive allocation as to an investor, or may agree with an investor to other changes to the incentive allocation as to such investor.

All incentive allocations described above are based on the net realized and unrealized gains, income and appreciation of the respective account over a twelve-month period. All incentive allocations are charged in compliance with Section 205(b) of the Investment Advisers Act of 1940, as amended, and Rule 205-3 promulgated by the Securities and Exchange Commission.

Allocations based on performance will meet all requirements for such allocations as specified under Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

Clients should be aware that performance fee arrangements may create an incentive for an investment adviser to make investments that are more speculative than would otherwise be the case in the absence of a performance fee and that, under ICM's performance fee arrangements, the adviser may receive increased compensation with respect to unrealized appreciation as well as actual, realized capital gains.

Clients should also be aware that investment management fees lower than those offered by our firm may be available from other sources.

## **Item 7. Types of Clients**

ICM currently provides investment management services to pooled investment vehicles operating as private investment funds. ICM does not impose any minimum requirements on its private investment fund clients. The Fund, however, generally imposes minimum investment commitments on investors of \$500,000 (unless otherwise modified by us) and require them to satisfy certain suitability standards.

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

### ***Methods of Analysis***

As part of our methods of analysis, we may use the following:

***Fundamental analysis:*** Fundamental analysis involves the selection, evaluation, and interpretation of financial data and other pertinent information to assist in evaluating the operating performance and financial condition of a company or an industry. The operating performance of a company is a measure of how well a company has used its resources – its assets, both tangible and intangible – to produce a return on its investment. The financial condition of a company is a measure of its ability to satisfy its obligations, such as the payment of interest in a timely manner.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security.

Market regardless of the economic and financial factors considered in evaluation the security.

***Technical Analysis:*** Technical analysis is the discipline for forecasting the direction of prices through the study of past market data, primarily price and volume.

Risk of technical analysis is that history may not repeat itself.

***Qualitative analysis:*** As a part of our fundamental analysis, we subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

***Quantitative analysis:*** We may use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

***Asset Allocation:*** The purpose of the asset allocation is to diversify funds into asset classes (stocks, bonds, and liquid reserves) according to the client's risk profile and to hedge against uncertainty. Implicit in this approach is that the total portfolio is more important than the underlying securities.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities,

fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

***Risks for all forms of analysis:*** The markets are subject to the risks of the unforeseen, including political events, terrorist attacks, fraud, bubbles and panics—more generally, the uncertainty produced by the fact that the future is unknown. In addition, markets are unforgiving and can be perverse and irrational over the short or longer period. Absolute loss can also occur when a client panics and sells out of fear when the market experiences a significant downward movement, waiting to reinvest only when the market recovers. When experiencing market volatility, a client might not have the emotional strength or discipline to ride through the inherent volatility of the market.

Our securities analysis methods for the securities we recommend, purchase and sell, are assisted by but do not rely entirely upon the assumption that the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. Factored into our decision making process is the risk of fraud or that the reporting data may be incorrect, and thus there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### ***Investment Strategies***

We may use the following strategies in managing client portfolios:

***Long-term purchases:*** We purchase securities with the idea of holding them in a client's portfolio for a year or longer. We may do this because we believe the securities to be currently undervalued. We may do this because we want exposure to a particular asset class over time, regardless of the current projection for this asset class or security.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, we may not take advantages of short-term volatility that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

***Short-term purchases:*** We also may purchase securities with the idea of selling them within a relatively short time (typically a year or less, or within the same day).

A risk in a short-term purchase strategy is that, should the anticipated price increase not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

***Margin transactions:*** We may recommend or utilize margin as part of our investment strategies.

***Option writing:*** As a matter of policy and practice, we will not use options or option strategies as an investment strategy for our clients, unless directed to do so by our clients.



**For all strategies:**

Investments in securities are not guaranteed, and clients may lose money on their investments. We make significant efforts and inquiries to help us understand client's tolerance for risk and any changes in their financial objectives and circumstances. We also request that clients notify us of any such changes promptly.

**Item 9. Disciplinary Information**

Our firm, its Principals and associated persons have no disciplinary, legal or regulatory events that are required to be disclosed.

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

ICM is a registered investment advisory firm registered with the U.S. Securities and Exchange Commission. ICM is a wholly owned subsidiary of Schnieders Capital Management, LLC ("SCM"), a separately SEC-registered investment adviser.

Jim & John Schnieders, Principals and Members of SCM, are also the co-managing members of ICM. Jim & John Schnieders devote a portion of their efforts and time to the businesses of ICM as well as the advisory services for SCM's clients. As the managing members of SCM, Jim and John Schnieders receive separate and distinct compensation for services rendered by SCM to its clients which may present a conflict of interest to the extent they may devote additional time and efforts for the management of the business of SCM.

Certain of ICM's associated persons are also advisory representatives of SCM. In these other capacities, these associated persons may also receive additional compensation for their services on behalf of SCM that are separate and distinct from the compensation they receive from ICM.

***Additional Compensation***

Clients should be aware that the receipt of any additional compensation by ICM and its management persons creates a conflict of interest that may impair the objectivity of ICM and these individuals when making advisory recommendations. Our firm endeavors at all times to put the interests of our clients first as part of its fiduciary duty as a registered investment adviser and takes the following steps to address this conflict:

- We disclose to clients the existence of all material conflicts of interest, including the potential for ICM and management persons to earn compensation from advisory clients in addition to ICM's advisory fees.
- We require that employees seek prior approval of any outside employment activity so that ICM may ensure that any conflicts of interests in such activities are disclosed and properly addressed.
- We periodically monitor any outside employment activities to verify that any conflicts of interest continue to be properly addressed.
- We educate our employees about the responsibilities of a fiduciary, including

the need for having a reasonable and independent basis for the investment advice provided to clients.

**Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading**

ICM has adopted a Code of Ethics consistent with the requirements of the Advisers Act requirements. ICM's Code of Ethics provides for a high ethical standard of conduct for all ICM's professionals and employees, compliance with federal securities laws, and policies and procedures for the reporting of certain personal securities transactions on a quarterly basis and initial and annual security holdings by ICM's professionals and employees. Among other things, ICM's Code of Ethics also requires the prior approval of any IPO and private placement investments, reviews, enforcement and recordkeeping. ICM's Code of Ethics also includes the firm's Insider Trading Policy, which prohibits the misuse of material non-public information.

A copy of ICM's Code of Ethics is available to ICM's advisory clients upon written request to the Chief Compliance Officer at ICM's principal address.

ICM and individuals associated with our firm may buy or sell securities identical to or different than those recommended to clients. In addition, any associated person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client. This presents a conflict of interest, to the extent, that an employee of our firm may purchase a security for him/herself prior to that transaction being implemented in a client's account, thus, receiving a more favorable price, commission, or allocation.

It is the expressed policy of ICM that no person employed by ICM may purchase or sell any security from 12 hours before or after a transaction(s) being implemented for an advisory account, unless such trade is placed as part of an aggregated transaction (see ICM's trade aggregation policy and procedures immediate following), thereby preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

ICM has established the following restrictions in order to carry out its fiduciary responsibilities to its clients:

- 1) A member, officer or employee of ICM shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of ICM shall prefer his or her own interest to that of the advisory client.
- 2) ICM maintains records of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by John Schnieders, Partners of ICM.
- 3) ICM requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

- 4) Any individual not in observance of the above may be subject to termination.

#### *Trade Allocation Policy & Procedures*

ICM may aggregate trades for itself or for its associated person with client trades, providing that the following conditions are met:

- 1) ICM's policies for the aggregation of transactions shall be fully disclosed in this Form ADV and separately to ICM's existing clients (if any) and the broker-dealer(s) through which such transactions will be placed.
- 2) ICM will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients and is consistent with the terms of ICM 's investment advisory agreement with each client for which trades are being aggregated;
- 3) No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all ICM's transactions in a given security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction;
- 4) ICM will prepare an allocation statement ('Allocation Statement') specifying the participating client accounts and how it intends to allocate the order among those clients;
- 5) If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement; if the order is partially filled, it will be allocated pro-rata based on the Allocation Statement.
- 6) Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained in writing and is approved by ICM 's compliance officer no later than one hour after the opening of the markets on the trading day following the day the order was executed;
- 7) ICM's books and records will separately reflect, for each client account, the orders of which are aggregated, the securities held by, and bought and sold for that account;
- 8) ICM will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and

9) Individual advice and treatment will be accorded to each advisory client. Please refer to Item 12 of this Brochure for aggregation policies.

## **Item 12. Brokerage Practices**

### ***Selection of Broker-Dealers***

ICM endeavors to recommend those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help our firm in providing investment management services to clients. In addition, ICM considers broker's ability to provide professional services, our experience with the broker, the broker's reputation, and the broker's quality of execution services and costs of such services, among other factors. ICM clients must evaluate these brokers before opening an account.

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, ICM may recommend the use of one of several broker dealers (including, but not limited to Pershing LLC, a subsidiary of The Bank of New York and a member of BNY Securities Group (hereinafter 'Pershing') and Wells Fargo "an introducing broker for" Goldman Sachs and J.P. Morgan (hereinafter 'Wells Fargo') both of which are independent FINRA registered broker dealer firms), provided that such recommendation is consistent with our firm's fiduciary duty to the client.

### ***Research and Soft Dollars***

In addition, to execution quality, ICM may consider the value of various products and services a broker-dealer may provide. Selecting a broker-dealer in recognition or services or products other than simply transaction execution is known as paying for those services and products with "soft dollars." Because many of those services could be considered to provide some benefit to ICM and because the "soft dollars" used to acquire them will be assets of our firm's clients, ICM could be considered to have a conflict of interest in allocating client brokerage business. In other words, we could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction commission charged by that broker or dealer might not be the lowest commission ICM might otherwise be able to negotiate.

In addition, ICM could also have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage commissions with which to acquire products and services.

"Research" products and services provided to our firm may include the following: research reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; specialized financial publications; portfolio evaluation services; financial database software and

services; computerized news, pricing and order-entry services; and other products or services that may enhance ICM's investment decision making responsibilities.

Adviser will make decisions involving "soft dollars" in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934. That is, we will generally determine, considering all appropriate factors (including those described here), that the commissions paid are reasonable in relation to the value of all the brokerage and research products and services provided by the broker-dealer. In making that determination, ICM may consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services in ICM's performance of its overall investment responsibilities to all of its clients.

In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge. Additionally, in some cases, a client's transaction may be executed by a broker in recognition of services or products that are not used in managing that client's account. As such, we may pay higher commissions to such brokers in order to continue receiving research related products from such brokers, provided that such may only higher commissions will only be paid when it is in the funds best interest to do so.

Where a particular service or product that a broker or dealer is willing to provide for soft dollars has not only a "research" application, but it is also useful to ICM for non-"research" purposes, we may allocate the cost of the product or service between its "research" and non-"research" uses and pay only the "research" portion with soft dollars. ICM's interest in making such an allocation may differ from clients' interests in that our firm has an incentive to designate as great a portion of the cost as "research" as possible in order to permit payment with soft dollars.

When a broker-dealer provides research or other products or services in expectation of brokerage business, it generally suggests the level of business it would like to receive as compensation. In making its brokerage selections, we consider those suggestions as part of its evaluation of the factors described above. Actual transactional business received by a particular broker or dealer during any period may be less than the suggested level, but may - and ICM expects that it often will - exceed that level. This may be in part because the total brokerage business generated by clients may exceed the aggregate amounts requested by all brokers and dealers from which we receive services and products, and in part because the brokers and dealers that provide such services and products may also provide superior execution and may therefore be the most appropriate broker-dealers for particular transactions regardless of whether or not they provided such services or products.

In other cases, a broker or dealer may establish "credits" based on brokerage commissions paid in the past, which may be used to pay, or reimburse ICM, for specified expenses. Brokers and dealers will not be excluded from consideration of receiving brokerage business simply because they have not provided "research" or other services or products, although we may not be willing to pay the same commission to such broker

as we might have been willing to pay had the broker provided research products and services.

ICM monitors transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers it uses, to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those brokers and dealers in light of all the factors described above.

### ***Brokerage for Client Referrals***

ICM does not consider the prospect of receiving or the receipt of client referrals when selecting or recommending broker-dealers for client securities transactions.

### ***Aggregation of Transactions***

There will be occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for accounts served by ICM and accounts served by SCM. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be effected only when we believe that to do so will be in the best interest of the affected accounts. When such concurrent authorizations occur, the objective will be to allocate the executions in a manner that is deemed equitable to the accounts involved.

Trades for affiliated accounts may be included in Adviser client block trades.

### ***Allocation of Investment Opportunities***

As a matter of firm policy, ICM seeks to allocate investment opportunities and transactions on a fair and equitable basis for all clients over time and to not favor certain clients over others. In the unlikely event that limited investment opportunities or transactions would need to be allocated among advisory clients, ICM would allocate the investments or transactions fairly and equitably and typically on a pro-rata basis. As a matter of investment policy and practice, ICM does not generally seek or participate in initial public offerings.

## **Item 13. Review of Accounts**

### ***Portfolio Reviews***

Portfolio securities held by the Fund are continuously monitored and reviewed daily by ICM's co-managing members, Jim Schnieders and John Schnieders. Accounts are reviewed in the context of each Fund's or SMA's stated investment objectives and guidelines. Account review focuses on the review of all securities using fundamental and technical analysis.

More frequent review may be triggered by material changes in variables such as the Fund's circumstances, or the market, political or economic environment. Formal account reviews will be conducted each quarter or at the request of the client.

## ***Client Reports***

Investors in the Fund managed by ICM are provided unaudited monthly reports to investors discussing general account performance. ICM will also provide investors in the Fund with an annual report, containing audited financial statements and a statement of each investor's capital account in the Fund as of the end of each fiscal year. ICM may also prepare and deliver to fund investors additional information we deem pertinent. ICM may provide additional information by special agreement with investors.

### **Item 14. Client Referrals**

ICM does not receive any economic benefits from any third-party for providing investment advice to our clients. ICM does not employ solicitors.

### **Item 15. Custody**

ICM acts as investment manager to the Fund and is deemed to have custody of Fund assets under current applicable regulatory interpretations. As an adviser with custody, the Fund's financial statements will be audited on an annual basis by an independent public accounting firm that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (PCAOB). We endeavor to send the audited financials to each investor within 120 days of the Fund's fiscal year end.

### **Item 16. Investment Discretion**

Pursuant to the Funds' Offering Documents, we are granted complete investment authority with respect to the types and amounts of all securities bought and sold by the Fund.

### **Item 17. Voting Client Securities**

#### ***Proxy Voting***

It is ICM's policy and practice to abstain from voting proxies.

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

As a matter of firm policy and practice, our firm will not charge or earn advisory fees in excess of \$1,200 more than six months in advance of the services rendered.

Also, our firm and its Partners have no financial events or proceedings to disclose.