

PHILOSMITH

An Investment Management Firm Specializing in the
INSURANCE AND FINANCIAL SERVICES INDUSTRIES

DUE DILIGENCE QUESTIONNAIRE **As of December 31, 2013**

Philo Smith Capital Corporation
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This brochure provides information about the qualifications and business practices of PhiloSmith. If you have any questions about the contents of this brochure, please contact us at 203-348-7365 and or email marketing@philosmith.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.

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This document is an executive summary for informational purposes only. It does not constitute an offer to sell or a solicitation of an offer to buy interests in any investment vehicle managed by PhiloSmith. Interests will be offered to eligible investors only by means of a Confidential Private Offering Memorandum, Limited Partnership Agreement or Prospectus which should be read in their entirety as these documents contain detailed information with respect to terms of the investment and the risks involved in investing.

A. ORGANIZATION

A.1. Firm Overview

PhiloSmith was formed in 1962 and is now a leading US-based investment banking firm specializing in the insurance and financial services sector. The firm provides two types of services: investment management and corporate finance.

PhiloSmith manages \$100+ million in assets across various Partnerships and Managed Accounts. The firm attributes its strong, long-term investment performance to its high degree of specialization.

The firm's corporate finance activities primarily involve merger and acquisition advisory and private debt and equity placements. PhiloSmith is consistently ranked as a top advisor within insurance M&A.

The firm's expertise and proprietary research contribute to its ability to be an effective investment manager and merger and acquisition advisor for its clients.

A.2. Contact Information

Marketing & Portfolio Related Inquiries:

Mr. James Amen
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Six Landmark Square
Stamford, CT 06901
(203) 348-7365
jamen@philosmith.com

Mr. James Inglis
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Six Landmark Square
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Investor/Operational Inquires:

Ms. Michele O’Grady
PhiloSmith
Six Landmark Square
Stamford, CT 06901
(203) 348-7365
mogrady@philosmith.com

A.3. Employees (as of December 31, 2013)

PhiloSmith currently employs 9 employees as listed below:

Portfolio Managers	2
Research/Investment Staff	1
Marketing/Investor Relations	1
Accounting & Operations	1
Office Administration	2
Corporate Finance	2

A.4. Office Location

PhiloSmith is located in Stamford, CT.

A.5. Management

PhiloSmith strives to create an environment that promotes professional growth. Goals and incentives are shared in an effort to raise aspirations and expectations, rewarding initiative and innovation. Our core values are teamwork, integrity and communication.

The key investment professionals at PhiloSmith have combined experience of over 80 years specializing in insurance and financial services. The Partners of the firm are James Amen, Francis Hagerty, James Inglis and Michele O’Grady.

A.6. Insurance

PhiloSmith maintains professional liability insurance in the amount of \$1,000,000 as well as policies covering other types of potential losses.

A.7. Assets Under Management (as of December 31, 2013)

<u>Fund</u>	<u>Assets (\$M)</u>	<u>Open/Closed</u>
PSCO Partners Limited Partnership	\$ 32	Open
PSCO Partners Two Limited Partnership	< \$1	Open
Managed Accounts	<u>\$ 90</u>	N/A
Total:	\$122	

A.8. Investor Base by assets (as of October 31, 2012)

High Net Worth/Family Office	4%
Institutional	81%
Other	15%

B. INVESTMENT PHILOSOPHY AND PROCESS

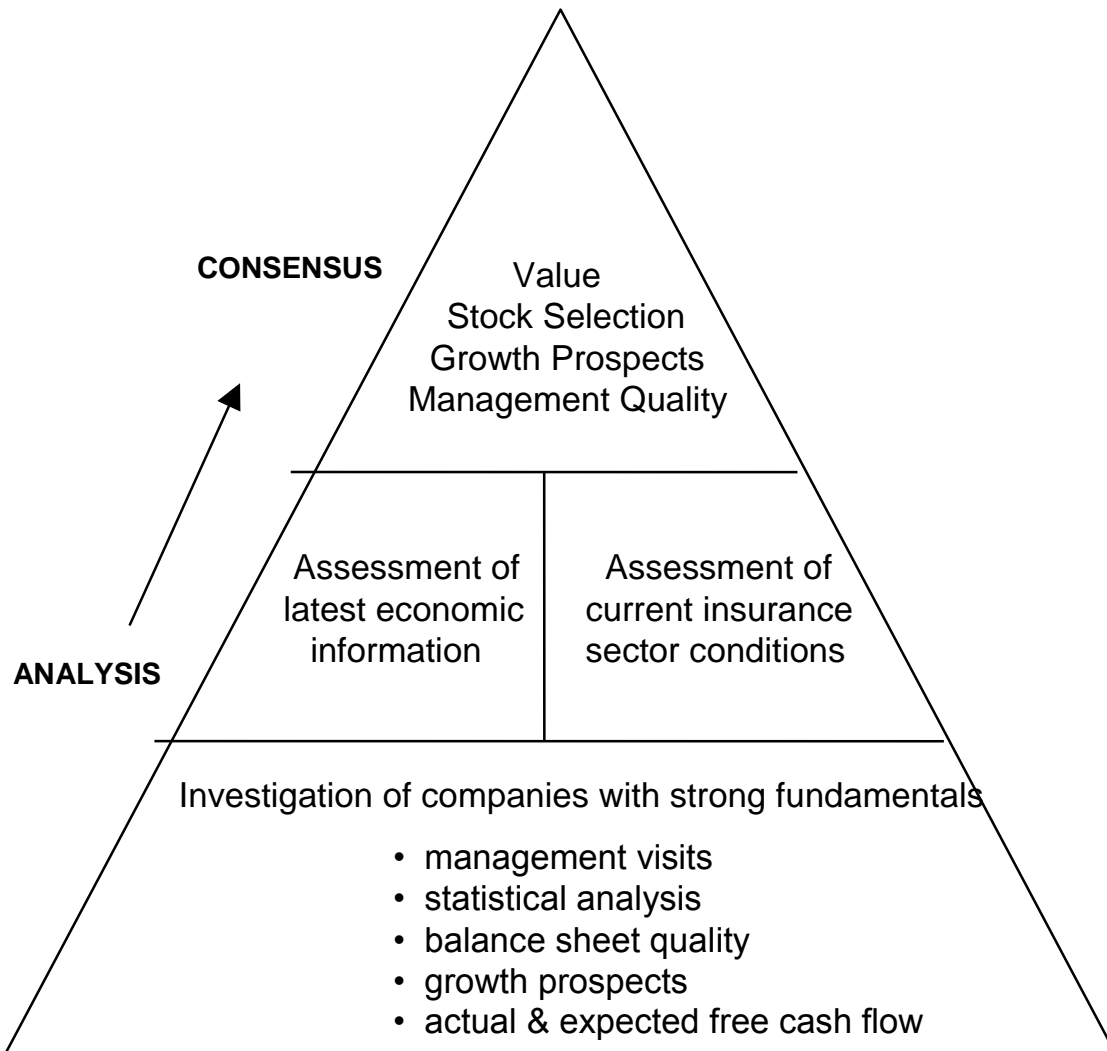
B.1. Investment Philosophy

PhiloSmith is an insurance and financial services manager. The manager's approach is based on fundamental research and individual stock selection, including analysis of company and industry trends. The goal is to seek companies with an above-average outlook selling at prices below intrinsic value, while leveraging this research to determine which direction a company is trending in advance of the overall market.

Assets are invested in companies engaged in various segments of the insurance business, including reinsurance, primary property casualty, life, accident and health insurance, insurance brokerage, health maintenance organizations, providers of goods and services to the insurance industry and other companies engaged in insurance related businesses. Assets are also invested in other kinds of financial services companies, including stock brokers and investment banks, asset management firms, finance companies and commercial banks.

B.2. Manager's Approach

The Manager's Approach is a pyramid from analysis to consensus as follows:



B.3. Decision-Making

The entire investment team is responsible for generating investment ideas and investments are made by consensus of the team as follows:.

a. Sub-Sector Analysis

The decision to buy and sell begins with a sub-sector analysis. The sub-sector analysis determines the sub-sector's top line growth, competitive landscape including substitute products and self-retention, expected loss costs, pricing trends and price adequacy, acquisition costs, reinsurance costs, ratings outlooks, cash flows from operations, earnings projections, expected book value growth, the sub-sector's valuation relative to other sub-sectors, and other factors.

Sub-sector analysis is performed by the research team and by other members of the investment management and the corporate finance teams. The dissemination of the sub-sector analysis is the weekly meeting (usually held on Monday mornings), The Insurance and Financial Review, and the discussion notes from meetings with company management. Other reports may also be circulated on an ad-hoc basis.

b. Security Analysis

The next step in the bottom up process for making an investment decision is an assessment of management quality. A buy decision requires a high degree of confidence in management as a necessary but insufficient investment condition. Other necessary conditions are a positive outlook on the sub-sector and a current valuation at or below the company's intrinsic value. A sell decision may be formed based on the investment management team's lack of confidence in management, regardless of the sub-sector outlook or security pricing.

The portfolio managers and the research team are responsible for assessing management quality. Typically, the primary input of this assessment is via one-on-one meetings with the company's senior management, generally the CEO and CFO. These meetings generally occur every 18 months and are supplemented by one-on-one calls with senior management in the intervening months.

Companies are also followed via reviews of 10Q's, 10K's, annual reports and other SEC documents, and investor conferences. Equally important is to keep in contact with staff at the companies followed by an on-going contact with industry participants including but not limited to bankers, rating agencies, brokers, clients and prospects.

c. Security Pricing

Security valuation is performed by the portfolio managers and the research team. Valuation is based on comparables analysis and/or discounted free cash flow projections.

d. Changes to the Portfolio

Once the outlook for a particular sub-sector is formed and consensus achieved, a recommendation to buy or sell a security is made by a portfolio manager. A proposed buy-or-sell decision is reviewed by each portfolio manager before the trade is executed. Other members of the investment management team are encouraged to propose or challenge the buying or selling of a particular security, as the active and on-going dialogue with respect to sectors, management, companies and pricing are part of the day-to-day business operations of the company.

B.4. Number of Positions

While the investments in the portfolios constitute insurance and financial service related businesses, the strategies differ for each. The average holdings in a long-only strategy is typically 10 to 20 positions, whereas a long-short strategy would range from 20 to 30 of positions held/sold.

B.5. Leverage

Leverage can be utilized in all of our strategies, however gross exposure is monitored closely and typically does not exceed 100%.

C. RISK MANAGEMENT

C.1. Risk Philosophy

PhiloSmith is aware of the various sources of risk in the portfolio. We employ a process that seeks to identify, measure, monitor and manage the various levels of portfolio risk and these include, but are not limited to:

- Market and interest rates
- Natural catastrophes
- Extreme mortality
- Fiduciary and rogue trader risk
- Credit
- Legislative/judicial
- Regulatory
- Concentration
- Liquidity

C.2. Risk Control

PhiloSmith incorporates various risk measurement analyses in its evaluation process. These reports include:

- Volatility Measurement
- Stress Testing
- Liquidity Reporting
- Position Risk

C.3. Risk Management

PhiloSmith's risk management includes, but are not limited to the following areas:

a. Portfolio Risk

Portfolio risk includes concentration risk of a particular security and concentration risk of a particular sub-sector, which are managed via limits. Any security that comprises more than 12% of a particular portfolio is monitored closely and is the subject of a weekly review by a portfolio manager. Any sub-sector that comprises more than 25% of a portfolio is monitored closely and is the subject of a weekly review by the portfolio management team. These are soft limits and exceeding these limits does not necessarily entail any action.

Portfolio risk also includes the risk from the use of leverage in a portfolio. PhiloSmith historically does not use leverage to enhance returns, however, it has the capability. When leverage is used, it is monitored and discussed during the weekly review by the investment management team.

b. Security Risk

Security risk encompasses the risk that a particular security in the portfolio will not deliver returns. The bulk of the security-risk management is performed as a part of the portfolio management and research process. Market risk of the security, which is the risk of excessive price declines (or increases for securities sold short), is controlled by monitoring the downside risk associated with holding either a long or short position in a security and is managed via limits. Any security that is purchased and has fallen more than 10% in any given week is the subject of monitoring and an investment management team review is prepared by a portfolio manager. Any security sold short that has risen more than 5% in any given week is the subject of monitoring and an investment management team review is prepared by a portfolio manager. Action levels are 15% price declines for securities held long and 10% price increases for securities sold short and require reducing positions. Action levels can be overridden on a consensus basis by the investment management team.

c. Operational Risk

Operational risk encompasses all other risks that the investment management business is exposed to, e.g., settlement risk, fiduciary risk, and trading risk. Settlement risk is controlled by a timely settlement of trades. The majority of trades are settled through the DTCC. Trades are viewed daily by the portfolio administrator(s) and processed in conjunction with the custodian. Trading risk, including rogue-trader risk, is controlled via the daily process for trade execution. A portfolio manager must present an order ticket to the operations department which is then logged into the trading system. The portfolio administrator(s) disseminate the previous day's activity the next morning to the investment management team, along with cash balances for each account. Typically in a long portfolio, the turnover ratio is low and any active trading would be readily

apparent to senior personnel. Weekly status reports are prepared for senior management each Friday and include portfolio statements, account activity, cash balances and benchmark analysis for each account. All remaining fiduciary risk is controlled by managing and monitoring the settlement process and by client reporting, typically within 3 days of the month end or 5 days of the quarter end. Clients are free at anytime to review the books and records of their accounts.

C.3. Size of Positions

The typical position is targeted to be between 6% and 10%. It is the intent to maintain a position that is less than 12% of the funds market value.

C.4. Liquidity

PhiloSmith reviews the liquidity of its portfolios on a weekly basis. The analysis includes details on each of the securities trading volume and the number of days that would be required to liquidate a substantial portion of the investment.

C.5. Counterparty Risk

Our main counterparty relationships are with brokers and custodians. PhiloSmith engages in business only with firms of high credit quality that are registered members of the NASD and monitors exposures to each counterparty.

C.6. Business Continuity Plan

PhiloSmith has a business continuity plan and a disaster recovery plan which covers procedures and responsibilities throughout all departments. We review this plan on an as-needed basis and make changes accordingly.

D. TRADING PROCEDURES

D.1. Trade Entry & Processing

- The management team reviews investments on a daily basis
- The managers either:
 - a) place orders directly with a broker (giving the back-office an “entered” order ticket), or
 - b) gives an order ticket to the back-office to place the trade
- Back-office personnel log the order into the outstanding order entry system
- End of day phone calls are made to confirm the status of the order
- Completed orders are processed through DTCC and upon review from the back-office personnel are either confirmed or DK’d
-

- If confirmed, the trade is entered into the portfolio management system and settlement is reconfirmed on the settlement date
- The DTCC confirm is printed and placed in the open confirm file until the brokers confirm is received in the mail
- The mailed confirm is checked against the DTCC confirm
- The final reconciliation is done at the end of the week against the custodial records

D.2. Primary Responsibility

The primary responsibility for the verification and approval of the orders lies with the Operations Manager.

D.3. Position and Portfolio

The Firm's policy and procedures on allocating trades are designed to ensure that all accounts are treated in a fair and equitable manner both in the priority of execution of orders and in the allocation of securities and the price obtained in their execution. No one client or portfolio is favored over another. When the order is not executable in its entirety an appropriate and consistent method of allocation between the accounts is used. This method is based on the account's investment objective and available cash.

D.4. Procedures to Ensure and Review Best Execution

The investment management team reviews executions to ensure that all trades have been executed appropriately and within our best execution policy.

D.5. Records

PhiloSmith adheres to the recordkeeping requirements under the Investment Advisers Act of 1940.

E. REPORTING AND ACCOUNTING

E.1. Investor Reports and Correspondence

Information is provided to investors as discussed in the account's offering memoranda. The typical reports may include:

- Monthly Performance Reports
- Quarterly Letters
- Valuation Statements
- Realized Gains/Losses

Final Year-End Audited Account Statements
K-1's

E.2. Accounting System

PhiloSmith uses Schwab Performance Technology's Centerpiece as its portfolio management system. It is a fully integrated management and accounting system. Cash and positions are reconciled daily by the back-office accounting personnel via various methods as outlined in the particular accounts set-up procedures. Performance measurement is compiled internally and uses both Centerpiece and spreadsheets. All data is backed up nightly to a tape.

E.3. Segregation of Duties

Investment decisions are made by the portfolio management team. Orders are placed by either a portfolio manager or portfolio administrator. Orders are confirmed and entered by the portfolio administrator. The portfolio accountant(s) review and reconcile securities and cash.

E.4. Basis of Accounting (Cash vs. Accrual)

All accounting records are kept on an accrual basis in accordance with U.S. GAAP. There have been no significant changes to our accounting policies over the years.

E.5. Pricing

Our portfolios are priced at the end of each business day using Interactive Data. Private equity transactions are valued at cost or at a discounted latest round of financing.

E.6. Corporate Actions

Corporate Action Notification is provided to Operations and Accounting by our various custodians. All corporate actions are processed by the back-office for entering and confirming on the day of the event.

E.7. Process for Redemptions

Investors must submit a written request to the PhiloSmith account representative within the required notification period. Upon obtaining the request, the information will be noted in the internal operations system which tracks the movement of capital. All requests for withdrawals must be approved by the Head of Operations. All wires must have two authorized signatures for release.

E.8. Offshore Administrator

OPUS Fund Services (Bermuda) Ltd. is the primary offshore fund administrator.

E.9. Prime Brokers/Custodians

PhiloSmith's main custodian is State Street Corporation located in Boston, MA and their Prime Broker is Citigroup Smith Barney, Stamford, CT. Brokers vary in accordance with our best execution policy and include Jeffries & Company, Boston, MA; Credit Suisse First Boston, New York, NY and Morgan Stanley, New York, NY. Other custodial relationships include J.P. Morgan, US Trust, and Northern Trust.

E.10. Auditor

Onshore:

Grassi & Co. (formerly Pustorino, Puglisi)
488 Madison Avenue, Suite 2100
New York, NY 10022
(212) 832-1110
Contact: Dominick Merlucci, CPA
Audit Supervisor
dmerlucci@grassipas.com

Offshore:

KPMG
P.O. Box 493
Century Yard, Cricket Square
Grand Cayman KY1-1106
Cayman Islands
(345) 949-4800
Contact: Anthony Cowell
Partner
ACowell@kpmg.ky

E.11. Legal Adviser

Onshore:

Kleinberg, Kaplan, Wolff & Cohen
551 Fifth Avenue
New York, NY 10176
(212) 986-6000
Contact: Eric Wagner
ewagner@kkwc.com

Offshore:

Mourant du Feu & Jeune
Harbour Centre
42 North Church Street
George Town
PO Box 1348
Grand Cayman KY1-1108
Cayman Islands
(345) 949-4123
Contact: Neal Lomax
Neal.Lomax@mourant.com

F. LEGAL & COMPLIANCE

F.1. Compliance Responsibility

PhiloSmith's Legal and Compliance work is performed by Michele O'Grady in conjunction with outside council. Ms. O'Grady serves as the firm's Chief Compliance Officer and holds both the Series 7 and Series 24 licenses with FINRA (formerly the NASD). Outside council is Klienberg, Kaplan and Cohen located in New York, NY and Mourant du Feu & Jeune located in Grand Cayman, Cayman Islands.

F.2. Soft Dollar Use

It is PhiloSmith's policy not to enter into any soft dollar arrangements.

F.3. Anti-Money Laundering Laws

PhiloSmith is fully committed to preventing the use of its operations for money laundering or the funding of criminal activities. The firm complies with all applicable laws and regulations under the United States Patriot Act.

F.4. Employee Trading

PhiloSmith maintains an employee trading compliance policy. A central purpose of the business of Philo Smith is the production of ideas for good investments in insurance and other financial services companies. These ideas are confidential and valuable, and they are proprietary. Therefore, as a matter of policy, employees should not invest in companies of this type in personal accounts. To do so would subordinate the interest of PhiloSmith as a whole to our individual interests. However, employees that actively manage client assets may invest in insurance and other financial services companies in their personal account as long as those investments in their personal account mirror their portfolio account(s).

It is expected that the employee maintain the highest ethical standards for providing asset management services for its clients and that employee is willing to manage client assets as they would their own. To ensure fairness and transparency the employee must observe the following:

- 1) Buy personally what is purchased in the portfolio
- 2) Sell personally what is sold in the portfolio
- 3) Maintain proportionate ratios between personal and portfolio accounts
- 4) Buy/sell for the portfolio account(s) prior to personal account
- 5) Submit a personal transaction report on a quarterly basis

It is not expected that an employee who manages client assets take any current positions on the onset since many of the portfolios have a long history and may have appreciated beyond what is deemed appropriate for a new investment.

Additionally, PhiloSmith subscribes to the same practices that the New York Stock Exchange requires.

Each employee will acknowledge adherence to this policy by submission of a letter to the Managing Partner.

F.5. Pending Litigation/Legal Proceedings

None.

F.6. Registrations

PhiloSmith is a registered Investment Adviser with the Securities and Exchange Commission. PSCO International Distributors, Ltd., LLC is a wholly-owned subsidiary and is registered as an introducing broker-dealer with FINRA (formerly the NASD).

F.7. Past Regulatory Investigations/Actions

None.

G. FEE STRUCTURE

G.1. Domestic and Offshore Fee Structure

Fund Name	Management Fee	Performance Fee	Minimum Investment (\$M)	Lockup Period
PSCO Partners Limited Partnership	1%	15%	\$1	None
PSCO Partners Two Limited Partnership	2%	20%	\$1	1 Year
Managed Accounts	1 ½ %	15%	\$3	1 Year

G.2. Performance Fee and Incentive Allocation

Partnership performance fees are calculated at the end of the applicable fiscal period of the fund and are allocated/paid to the General Partner or Special Limited Partner on December 31st.

H. FUND SPECIFIC INFORMATION

H.1. PSCO Partners Limited Partnership

Fund Summary

PSCO Partners Limited Partnership is a Connecticut limited partnership formed in 1975 to invest in equity and other securities of companies engaged in various segments of the insurance business and other financial services businesses. The objective of the Partnership is to achieve a rate of return superior to that achieved by more conventional investments.

Specifics

- \$1,000,000 minimum contribution
- Quarterly contributions/withdrawals
- No lock-up

Fees and General Partner Compensation

- One percent management fee payable to Philo Smith Capital Corporation
- 15% incentive allocation allocated to a Special Limited Partner (PSCO Investment Management Company, LLC) on December 31st

H.2. PSCO Partners Two Limited Partnership

Fund Summary

PSCO Partners Two Limited Partnership is a Connecticut limited partnership formed for the purpose of obtaining long-term capital appreciation through the purchase and sale of securities such as publicly traded common stocks, stock warrants and rights, preferred stocks, convertible securities, money market obligations, commodities and options to buy and sell securities.

Specifics

- \$1,000,000 minimum contribution
- Quarterly contributions/withdrawals
- 1 year lock-up

Fees and General Partner Compensation

- Two percent management fee payable to Philo Smith Capital Corporation
- 20% incentive allocation allocated to a Special Limited Partner (PSCO Investment Management Company, LLC) on December 31st
- Loss carryforward provision, net losses must be offset prior to incentive allocation to Special Limited Partner

H.3. Managed Accounts

Summary

PhiloSmith has entered into various managed accounts where the purpose is to invest in equity and other securities of companies engaged in various segments of the insurance business and other financial services businesses. The objective of these accounts is similar to PSCO Partners Limited Partnership which is to achieve a rate of return superior to that achieved by more conventional investments. Investors may choose a combination of long positions in publicly traded equity plus opportunistic investments such as private equity, private placements, hybrid securities, debt securities, IPOs and short positions.

Specifics

- \$3,000,000 minimum contribution
- Quarterly contributions/withdrawals
- No lock-up

Fees and General Partner Compensation

- The management fee arrangements usually consist of a 1 1/2 percent management fee payable to Philo Smith Capital Corporation
- Incentive fees are paid at a rate of 15% payable to Philo Smith Capital Corporation on December 31st

I. BIOGRAPHIES

I.1. Managing Directors

James A. Amen

Mr. Amen manages PhiloSmith's investment management and corporate finance activities. He has been involved in all aspects of the firm's business including: research, portfolio management and mergers and acquisitions. He has advised the leading insurance companies on a number of strategic transactions, as well as capital funding and long-range planning. Prior to joining PhiloSmith in 1988, he was in the financial services group at Bear Stearns & Co. and was with AT&T Corp. in finance and marketing. Mr. Amen received a B.A. in economics and computer science from the State University of New York and an M.B.A. in finance from the University of Chicago School of Business.

Francis "Skip" Hagerty

Mr. Hagerty is engaged in the firm's corporate finance business. He has researched and advised property casualty and life stock companies in M&A transactions, affiliations and private debt and equity placements. Mr. Hagerty began his career at G.E. Capital Corp. in its Financial Services Division. During his six years at G.E. Capital, his responsibilities included Risk Manager for the company's first consumer credit operation in Mexico and General Manager of new product development for G.E. Consumer Finance in Australia. Prior to PhiloSmith he served in the leverage finance group at Credit Suisse First Boston Corp. Mr. Hagerty graduated cum laude from Notre Dame University and later received his M.B.A. from Harvard Business School.

James E. Inglis

A professional investment analyst, Mr. Inglis has been responsible for the analysis and investment in companies of every sector of the insurance business as well as other financial services companies. He graduated summa cum laude from Boston University and holds an M.B.A. from New York University Graduate School of Business. He began his financial career as a banking officer with National Westminster Bank USA and subsequently served as an investment analyst with Metropolitan Life Insurance Company. He joined PhiloSmith in 1984.

Michele C. O'Grady

Ms. O'Grady joined PhiloSmith in 1998 and has primary responsibility for the financial and operational affairs of the company. Ms. O'Grady began her financial career as an associate at Capital Partners, an LBO firm. In 1994 she became the Chief Financial Officer of Oxford Bioscience Partners, a venture capital firm with over \$300 million under management. Ms. O'Grady graduated magna cum laude from Marymount College and received her M.B.A., with honors, from the University of Bridgeport. Ms. O'Grady holds both the series 7 and 24 licenses with FINRA (formerly the NASD).

I.2. Senior Personnel.

Kathleen Wilkinson, Research Director

Ms. Wilkinson has over ten years of experience in the insurance and financial services industry. Prior to rejoining PhiloSmith, Ms. Wilkinson spent several years at JPMorgan where she was an AVP in their Financial Institutions Group and a member of their internal acquisitions team. Ms. Wilkinson graduated cum laude from Harvard University and holds her MBA from The Wharton School where she was named a Palmer Scholar.