

# Princeton Absolute Returns, LLC

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Princeton Absolute Returns, LLC. If you have any questions about the contents of this brochure, please contact us at (561) 962-4167 or by email at: [info@par-llc.com](mailto:info@par-llc.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.*

*Additional information about Princeton Absolute Returns, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Princeton Absolute Returns, LLC's CRD number is: 166625.*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

Princeton Absolute Returns, LLC has the following material changes to report. This list summarizes changes to policies, practices or conflicts of interests only.

- The firm transitioned to a Wyoming limited liability company in 2014.
- The firm is transitioning to SEC registration from state-level registration.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Princeton Absolute Returns, LLC d/b/a PAR Asset Management d/b/a PAR is a limited liability company organized in the state of Wyoming. The firm was formed as a New Jersey limited liability company in 2003 then transitioned to a Wyoming limited liability company in 2014. The principal owner is Raymond Galkowski.

### **B. Types of Advisory Services**

Princeton Absolute Returns, LLC (hereinafter "PAR") offers the following services to advisory clients:

#### ***Investment Supervisory Services***

PAR offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. PAR creates an Investment Policy Statement for each client, which outlines the client's current situation and then constructs a plan to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Security Selection
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

PAR evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. PAR will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction.

#### ***Financial Planning***

Financial plans and financial planning may include: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt /credit planning. These services are based on hourly fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

#### ***Services Limited to Specific Types of Investments***

PAR limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, hedge funds, REITs, options, other

derivatives, private placements, limited partnerships, and government securities. PAR may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

PAR offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may not impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. PAR does not participate in any wrap fee programs.

### **E. Amounts Under Management**

PAR is a newly formed registered investment advisory firm with \$1,900,000 of assets under management (AUM).

## **Item 5: Fees and Compensation**

### **A. Fee Schedule**

#### ***Investment Supervisory Services***

Clients are provided the options to choose among the following fee structures:

#### **Traditional Wealth Management:**

Traditional Wealth Management (TWM) entails financial planning and broad asset allocation strategies with periodic rebalancing. Allocations to broad asset classes are guided by a Goals-Based Investing (GBI) framework and are accomplished by using liquid securities such as mutual funds, bonds, and ETFs. PAR's research on the philosophy, processes, and pedigree of mutual fund portfolio managers drives PAR's manager selection process. The TWM fee equals 1% per annum paid monthly in advance on total assets under management (AUM) with PAR.

<b>Traditional Wealth Management (TWM)</b>
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<b>Annual Fee</b>
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Traditional Wealth Management (TWM)	Annual Fee
Assets Under Management	1.00%

TWM clients will also have the opportunity to invest through PAR's SAVI program, described in the next section, as part of their asset allocation. TWM clients who invest in the SAVI program will receive a refund of their TWM fee on the amount of AUM invested in the SAVI program.

Or\*

**PAR's Separate Account Value Investing (SAVI) strategies ():**

PAR employs a value investing strategy based on the academic research and practices of Benjamin Graham, David Dodd, Eugene Fama, Ken French, Josef Lakonishok, Robert Haugen, Joseph Piotroski, Robert Novy-Marx, and others. PAR performs all fundamental research and chooses securities—individual stocks, bonds and other securities—when PAR believes it can purchase such securities at large discounts to their estimated intrinsic value. Securities are held in a client's separate account with an independent custodian. The discount, when estimated correctly, provides a margin of safety, a concept first written about by Benjamin Graham.

Separate Account Value Investing (SAVI) strategies	Annual Fee
Assets Under Management	2.00%

*\* Clients that invest in PAR's Separate Account Value Investing (SAVI) strategies are only charged the SAVI fees on the amount invested in PAR's SAVI; they are not charged an additional 1% Annual Fee for Traditional Wealth Management on that SAVI portion of their total AUM managed by PAR.*

The fees are negotiable depending upon the needs of the client and complexity of the situation. The annual fee is paid monthly in advance. Clients may terminate their contracts with thirty days' written notice. Advisory fees are withdrawn directly from the client's accounts with client written authorization per the advisory agreement.

Refunds are given on a prorated basis, based on the number of days remaining in a month at the point of termination. Thirty-day written notice is required for termination.

***Financial Planning Fees***

***Hourly Fees***

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is between \$250 and \$500. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Fees are

paid in advance, but never more than six months in advance, with the remainder due upon presentation of the plan.

## **B. Payment of Fees**

### ***Payment of Investment Supervisory Fees***

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid monthly in advance.

### ***Payment of Financial Planning Fees***

Hourly Financial Planning fees are paid via check in advance, but never more than six months in advance, with the remainder due upon presentation of the plan. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

## **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, and any legal fees or accountant's fees agreed to in advance for specialized trust and tax work, etc.). Those fees are separate and distinct from the fees and expenses charged by PAR. Please see Item 12 of this brochure regarding broker/custodian.

## **D. Prepayment of Fees**

PAR collects fees in advance. Fees will be deposited back into client's account within fourteen days.

For all asset-based fees paid in advance, the fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee by 365.)

For hourly financial planning fees that are collected in advance, the fee refunded will be the balance of the fees collected in advance minus the hourly rate times the number of hours of work that has been completed up to and including the day of termination.

## **E. Outside Compensation For the Sale of Securities to Clients**

Neither PAR nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.



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

PAR does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7: Types of Clients**

PAR provides investment advice and/or management supervisory services to the following types of clients:

- ❖ Family Offices
- ❖ High-Net-Worth Individuals
- ❖ Other Investment Advisers
- ❖ Individuals
- ❖ Foundations and Endowments
- ❖ Investment Companies

### ***Minimum Account Size***

There is an account minimum, \$500,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

## **Item 8: Methods of Analysis, Investment Strategies, and Risk of Investment Loss**

### **A. Methods of Analysis and Investment Strategies**

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

PAR's methods of analysis include fundamental analysis and cyclical analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and the analysis of management or competitive advantages.

**Cyclical analysis** involves the analysis of business cycles to find favorable conditions for buying and selling a security.

#### ***Investment Strategies***

##### **Goals-Based Investing (GBI):**

GBI is an approach to wealth management that professional investors use in order to match a client's assets with a client's projected liabilities and expenses. The first step in a

wealth management program must assess a client's total balance sheet, income statement, cash flow statement, and projected needs.

### **Value Investing:**

PAR employs a value investing strategy based on the academic research and professional investing practices of Benjamin Graham, David Dodd, Eugene Fama, Ken French, Josef Lakonishok, Robert Haugen, Joseph Piotroski, Robert Novy-Marx, and others.

PAR uses long term trading, short term trading, short sales, margin transactions, and options writing (including covered options, uncovered options, or spreading strategies).

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks Involved**

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

**Fundamental analysis** concentrates on factors that determine a company's value. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed includes that the market price might fail to reach expectations of perceived value.

**Cyclical analysis** assumes that the markets react in mean-regressing patterns which, once identified, can be used to enhance performance. The risks include that markets might not always repeat cyclical patterns.

### ***Investment Strategies***

Long-term trading is designed to capture or exceed market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading, short sales, margin transactions, and options writing hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **C. Risks of Specific Securities Utilized**

PAR seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it may utilize short sales, margin transactions, and options writing in some instances. Short sales, margin transactions, and options writing can be risky. Clients should be aware that there is a material risk of loss using any of those strategies. The investment types

listed below (Other than Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature or stock “equity” nature.

**Equity** investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Treasury Inflation Protected/Inflation Linked Bonds:** The Risk of default on these bonds is dependent upon the U.S. Treasury defaulting; however, they carry a potential risk of losing value.

**Fixed Income** is an investment that promises fixed periodic payments that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Debt securities** carry risks such as the possibility of default on the principal, fluctuation in interest rates, and counterparties being unable to meet obligations.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a corporate bankruptcy).

**Hedge Funds** are not suitable for all investors and involve a high degree of risk due to several factors that may contribute to above average gains or significant losses. Such factors include leveraging or other speculative investment practices, commodity trading, complex tax structures, a lack of transparency in the underlying investments, and generally the absence of a secondary market.

**REITs** have specific risks including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.

**Private placements** carry a substantial risk as they are largely unregulated offerings not subject to securities laws.

**Precious Metal ETFs** (Gold, Silver, Palladium Bullion backed “electronic shares” not physical metal): Investing in precious metal ETFs carries the risk of capital loss.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability and inflation.

**Short sales** risks include the upward trend of the market and the infinite possibility of loss.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral.

**Options writing** is the creation of a put or call contract on a stock or bond by selling such contract to open the position.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither PAR nor its representatives are registered as or have pending applications to become a broker/dealer or as representatives of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither PAR nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Neither PAR nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

#### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

PAR does not utilize nor select other advisers or third party managers except for mutual fund and limited partnership managers using PAR's TWM services. PAR receives no external compensation for these selections. All other assets are managed by PAR's management.

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

#### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

#### **B. Recommendations Involving Material Financial Interests**

PAR does not recommend that clients buy or sell any security in which a related person to PAR or PAR has a material financial interest.

#### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of PAR may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of PAR to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. PAR will document any transactions that could be construed as conflicts of interest and will transact client business before their own when similar securities are being bought or sold.

#### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of PAR may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of PAR to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. PAR will transact client's transactions before its own when similar securities are being bought or sold.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

A custodian will be chosen based on competitive transaction and other fees and their client service capabilities. PAR will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian. PAR may use more than one custodian depending upon client needs.

#### ***1. Research and Other Soft-Dollar Benefits***

PAR receives no research, product, or services other than execution from a broker-dealer or third-party in connection with client securities transactions ("soft dollar benefits").

#### ***2. Brokerage for Client Referrals***

PAR receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

#### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

PAR allows clients to direct brokerage; however, PAR may recommend custodians. PAR may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to direct brokerage PAR may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

PAR maintains the ability to block trade purchases across accounts. Block trading may benefit a large group of clients by providing PAR the ability to purchase larger blocks resulting in smaller transaction costs to the client. Declining to block trade can cause more expensive trades for clients.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least quarterly only by Raymond Galkowski, Managing Member. Raymond Galkowski is the chief advisor and is instructed to review clients' accounts with regard to clients' respective investment policies and risk tolerance levels. All accounts at PAR are assigned to this reviewer.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Raymond Galkowski, Managing Member. There is only one level of review and that is the total review conducted to create the financial plan.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least monthly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian.

## **Item 14: Client Referrals and Other Compensation**

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

PAR does not receive any economic benefit, directly or indirectly from any third party for advice rendered to PAR clients.

### **B. Compensation to Non – Advisory Personnel for Client Referrals**

PAR does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

PAR, with client written authority in the advisory and brokerage agreement, will have limited custody of client's assets through direct fee deduction of PAR's fees only. If the client chooses to be billed directly by a custodian, PAR would have constructive custody over that account and

must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

### **Item 16: Investment Discretion**

For those client accounts where PAR will have investment discretion, the client has given PAR written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides PAR discretionary authority via a discretionary investment management clause in the Investment Advisory Contract and/or a limited power of attorney clause in the contract between the client and the custodian.

### **Item 17: Voting Client Securities (Proxy Voting)**

PAR will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

### **Item 18: Financial Information**

#### **A. Balance Sheet**

PAR does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

#### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither PAR nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

#### **C. Bankruptcy Petitions in Previous Ten Years**

PAR has not been the subject of a bankruptcy petition in the last ten years.