

Firm Brochure (Part 2A of Form ADV)  
March 27, 2015

## **ARBOR CAPITAL MANAGEMENT, LLC**

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**This brochure provides information about the qualifications and business practices of Arbor Capital Management, LLC (Arbor). If you have any questions about the contents of this brochure, please contact us at (612) 317-2950. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.**

**Arbor is an SEC-registered investment adviser. Registration of an adviser with the SEC does not imply a certain level of skill or training.**

**Additional information about Arbor also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 - Material Changes**

This Item 2 discusses only specific material changes that have been made to the brochure and provides clients with a summary of such changes. Since the last annual update to our brochure dated March 21, 2014, the following material changes have been incorporated in the brochure:

- This brochure has been revised to incorporate information relating to Arbor Global Small Cap Fund, LLC and Arbor Emerging Markets Small Cap Fund, LLC, two new private pooled investment vehicles managed by Arbor. See Item 4, Item 5 and Item 8 below.
- This brochure has been updated to reflect personnel changes at Arbor. Adam J. Kuhlmann has been added to and Peter J. Swanson has been removed from our investment management team. See Item 13 below.

We will ensure that clients receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

A copy of this brochure may be requested, without charge, by contacting Chris Feulner, Arbor's Chief Compliance Officer, at (612) 317-2950 or [cfeulner@arborcap.com](mailto:cfeulner@arborcap.com). Additional information about Arbor is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Arbor who are registered as investment adviser representatives of Arbor.

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#### **Item 4 - Advisory Business**

Arbor Capital Management, LLC (“Arbor”), founded in January 1997, specializes in small- and mid-cap growth equity investment management strategies for primarily institutional clients. Arbor is an independent firm controlled by its employees. Rick D. Leggott is the principal owner of the firm. Mr. Leggott has been implementing the fundamentals-based, bottom-up growth investment process that Arbor utilizes for over 20 years. Arbor currently manages a Small Cap Growth Strategy, a Focus Mid Cap Growth Strategy, an International Small Cap Strategy, a Global Small Cap Strategy and an Emerging Markets Small Cap Strategy.

In addition to managing separate accounts, Arbor also serves as the investment adviser to a common trust fund managed in accordance with Arbor’s Focus Mid Cap Growth Strategy (the “Focus Common Trust Fund”) and sponsored by Alerus Financial, N.A. (“Alerus”), a national banking association. Alerus, as sponsor of the Focus Common Trust Fund, is authorized to retain or remove the investment adviser for the fund.

Arbor’s sole mutual fund client is the Russell U.S. Mid Cap Equity Fund (the “Russell Fund”), a series of Russell Investment Company, a registered open-end management investment company for which Arbor serves as a sub-adviser pursuant to an agreement with the fund’s investment adviser, Russell Investment Management Company (“RIMCo”).

Arbor also serves as the investment adviser and managing member of Arbor International Fund, LLC, Arbor Global Small Cap Fund, LLC and Arbor Emerging Markets Small Cap Fund, LLC, each a private pooled investment vehicle (the “Private Funds”). The Private Funds are speculative investment vehicles that will only be made available to investors, including existing and prospective clients, who satisfy certain suitability standards.

Arbor works with clients to establish appropriate investment objectives and policies based on the client’s unique circumstances. Arbor provides investment advisory services on a discretionary basis. Arbor makes all investment decisions for client accounts and, when we deem appropriate and without prior consultation with the client, buy, sell, exchange, convert and otherwise trade in stocks, bonds, other securities and other financial instruments as we may select, subject to any written investment objectives, policies and restrictions as the client may from time to time provide to us. Our investment advice and portfolio decisions are based primarily upon our judgment and experience, after analyzing all available information deemed relevant.

Arbor will not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients will assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products.

As of December 31, 2014, Arbor managed approximately \$810 million in assets on a discretionary basis. As of such date, Arbor did not manage any assets on a non-discretionary basis.

## Item 5 - Fees and Compensation

*Separate Account Fees.* Arbor's standard fee schedule for its separately managed accounts is as follows:

<u>Strategy</u>	<u>Annual Fee</u>
Small Cap Growth Strategy	1.00%
Focus Mid Cap Growth Strategy	0.85%
International Small Cap Strategy	1.25%
Global Small Cap Strategy	1.25%
Emerging Markets Small Cap Strategy	1.25%

Arbor's fees are based on a percentage of assets under management. The advisory fee, which is payable quarterly in arrears, is determined by multiplying the fair market value, as reasonably determined by Arbor, of the client's assets under management at the end of the quarter by the applicable annual rate disclosed above and dividing the resulting amount by four. If a client makes a contribution and/or withdrawal from the client's account during the quarter which amounts to in excess of 10% of the market value of the client's account prior to such transaction, the advisory fee charged to the client will be pro-rated to take any such large contribution or withdrawal into account. So, for example, if a client makes a \$1 million contribution to its account on the last day of the quarter, and the market value of the client account prior to such contribution was less than \$10 million, the advisory fee applicable to the extra \$1 million in assets in the client account would be calculated over a period of one day only.

*Common Trust Fund Fees.* The annual advisory fee for the Focus Common Trust Fund is 0.98% of the fund's assets under management. Arbor receives 0.85% of assets under management and Alerus receives 0.13% of assets under management. The advisory fees are accrued daily and paid quarterly in arrears based on the assets held in the participating trust account.

*Investment Company Fees.* The annual advisory fee for the Russell Fund is 0.80% of the fund's average daily net assets. Arbor receives 0.35% of that portion of the fund's average total net assets that are managed by Arbor. Arbor's sub-advisory fees for the Russell Fund are calculated and paid quarterly in arrears by RIMCo. Arbor's separately managed accounts are not solicited to invest in the Russell Fund.

*Private Fund Fees.* For its investment advisory services to each Private Fund, Arbor receives an annual fee equal to 1.25% of the Private Fund's net asset value. Arbor may waive the annual fee for a particular client in its sole discretion. Arbor's separately managed accounts may be solicited to invest in the Private Funds.

Arbor's fees are not generally negotiable. However, depending on a number of factors including the size of the account and the relationship between the client and Arbor, the actual advisory fee may be more or less than the annual rate disclosed above. Arbor generally bills clients directly for advisory fees (Arbor generally does not deduct advisory fees directly from the client's custodial account, but may do so at a client's request). It is the client's responsibility to review the advisory fees included in the account statements provided by the custodian. Investment advisory agreements may be terminated by either Arbor or the client on 30 days' prior written

notice. Upon termination of an investment advisory agreement, the termination date will be used as the basis for determining the final charge for investment services rendered. Fees will be prorated on a daily basis to the termination date and any earned but unpaid fees will be promptly billed to the client.

Arbor's fees exclude brokerage charges, commissions, custodial costs, taxes and other costs incidental to the purchase and sale of securities. For more information on these types of fees, see Item 12, "Brokerage Practices," below. Moreover, clients whose assets are invested in shares of money market funds, exchange-traded funds (ETFs) or other pooled investment vehicles ("acquired funds") will pay both a direct management fee to Arbor, as well as indirect management fees and other expenses incurred by the acquired funds. Please refer to the acquired fund's prospectus or other offering documents for more information.

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

Arbor does not charge any performance-based fees, which are fees based on a share of capital gains or capital appreciation of client assets.

### **Item 7 - Types of Clients**

Arbor provides investment advisory services primarily to institutional clients, including corporations, pension plans, profit sharing plans, savings-investment and 401(k) plans, foundations, endowments, common and collective trust funds, registered investment companies and private pooled investment vehicles. Advisory services may also be offered to individuals, trusts, estates and family offices. Arbor's separately managed accounts generally require a minimum account size of \$10,000,000, although accounts that do not meet this threshold may still be accepted under certain circumstances to be determined by Arbor on a case-by-case basis.

Investor participation in the Focus Common Trust Fund is open to taxable and tax-exempt investors. The minimum initial investment for the Focus Common Trust Fund is generally \$250,000. Accounts that do not meet this specified threshold may still be accepted under certain circumstances to be determined by Arbor on a case-by-case basis.

There is currently no required minimum initial investment for Class A, Class C or Class S shares of the Russell Fund. Please refer to the Russell Fund's prospectus for more information regarding investments in the fund and the categories of investors eligible to purchase fund shares.

The minimum initial and subsequent investment amounts for each of the Private Funds is \$500,000. The minimum initial and subsequent investment amounts may be waived by Arbor, in its sole discretion.

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

### Methods of Analysis and Investment Strategies

Arbor, which specializes in small- and mid-cap growth equity investment strategies, primarily offers investment advice on domestic and foreign equity securities, such as common stock, preferred stock and warrants to purchase common and preferred stock and ETFs.

Arbor currently manages client accounts utilizing the following strategies:

*Small Cap Growth Strategy.* Arbor's Small Cap Growth Strategy utilizes a fundamentals-based, bottom-up, small cap growth philosophy. Small Cap Growth Strategy portfolios generally invest in small capitalization U.S. stocks of high quality growth businesses, generally with market capitalizations less than \$2.5 billion. Arbor adds value through an intensive direct research process and a stringent sell discipline, coupled with excellent business evaluation skills. We believe that "real growth" builds wealth, and focus our stock selection on high quality businesses that are generating organic and sustainable growth with minimal financial leverage.

*Focus Mid Cap Growth Strategy.* Arbor's Focus Mid Cap Growth Strategy is a direct extension of its Small Cap Growth Strategy. Focus Mid Cap Growth Strategy portfolios generally invest in, but are not limited to, middle-level capitalization U.S. stocks of high quality growth businesses, generally with market capitalizations between \$1 billion and \$15 billion. The Focus Mid Cap Growth Strategy utilizes a bottom-up independent research process for security selection and adheres to disciplined valuation methodology and a well-defined sell discipline. Hallmarks of the Focus Mid Cap Growth Strategy philosophy include utilizing a long-term investment time horizon (generally three or more years) to exploit analytical and behavioral opportunities. We seek to capture the power of compound growth as highly selective owners of durable, sustainable real-growth businesses through a concentrated portfolio of approximately 15-30 stocks.

*International Small Cap Strategy.* Arbor's International Small Cap Strategy seeks to "Capture the Value in Real Growth" around the globe by investing in small cap growth companies outside of the U.S., including emerging markets. We strongly believe that many small cap, organic growth opportunities exist outside of U.S. borders, and our International Small Cap Strategy enables us to access these organic growth opportunities within less efficient and highly compelling growth markets. Our institutional-grade approach to managing international equities is a natural extension of and direct complement to our stock selection heritage. More specifically, we utilize a disciplined approach to evaluating companies on a global basis. Our International Small Cap Strategy leverages technology to systematically evaluate (or rank) stocks around the globe to dramatically narrow the universe of stocks for traditional fundamental research. Well-ranked stocks, as a group, have an attractive fundamental characteristics profile, as well as a higher probability and potential to outperform. These tools support a highly disciplined and repeatable investment process and provide a competitive advantage in stock selection. The next step of our investment process is to discern which of the attractively ranked stocks reflect the high quality, sustainable, organic growth businesses that we believe will outperform. By building a portfolio of high performance potential stocks and minimizing

unintended risk exposures, we isolate stock selection as the primary driver of value add for International Small Cap Strategy portfolios.

*Global Small Cap Strategy.* Arbor's Global Small Cap Strategy utilizes an integrated investment process to discover high performance potential, small capitalization stocks around the world. Our systematic research tools enable us to evaluate changes in fundamental data within peer groups and dramatically narrow the investable universe to stocks with attractive fundamental characteristics and high probabilities of significantly outperforming the market. We believe this process provides a competitive advantage in stock selection and increases the probability of success. We then apply traditional fundamental research to discern attractively ranked stocks with desirable business qualities, including earnings growth and attractive returns on capital. Lastly, we seek to minimize unintended risks while investing across many countries and sectors through disciplined portfolio construction.

*Emerging Markets Small Cap Strategy.* Arbor's Emerging Markets Small Cap Strategy utilizes an integrated investment process to discover high performance potential, small capitalization stocks in emerging markets. Our systematic research tools enable us to evaluate changes in fundamental data within peer groups and dramatically narrow the investable universe to stocks with attractive fundamental characteristics and high probabilities of significantly outperforming the market. We believe this process provides a competitive advantage in stock selection and increases the probability of success. We then apply traditional fundamental research to discern attractively ranked stocks with desirable business qualities, including earnings growth and attractive returns on capital. Lastly, we seek to minimize unintended risks while investing across many countries and sectors through disciplined portfolio construction.

### Risk of Loss

Risk of loss is inherent in any investment in securities. Past performance does not guarantee future results, and there is no guarantee that your investment objectives will be achieved. Your account may be subject to the following risks:

*Management Risk.* Arbor and its portfolio managers will be delegated the authority to buy and sell securities on your behalf. You must rely upon the managers' abilities and judgment and upon their investment abilities. There is no guarantee that the portfolio managers' investment techniques will be successful.

*Small Cap Growth Strategy Risk.* Small Cap Growth Strategy portfolios generally invest in securities of companies with both high growth (e.g., unit-driven revenue growth) and high quality (e.g., high return on capital, low debt) characteristics. There may be market conditions where stocks of companies with these characteristics perform poorly. In addition, Small Cap Growth Strategy portfolios may focus their investments in companies comprising one or more economic sectors. Developments affecting companies in that sector or sectors will likely have a magnified effect on your portfolio's total returns and this may subject your portfolio to greater risk of loss. Accordingly, the Small Cap Growth Strategy could be considerably more volatile than a broad-based market index strategy or other strategies that are diversified across a greater number of securities and sectors.



*Focus Mid Cap Growth Strategy Risk.* Portfolios in the Focus Mid Cap Growth Strategy are subject to the same risks disclosed above with respect to the Small Cap Growth Strategy. In addition, the Focus Mid Cap Growth Strategy is concentrated and your portfolio may invest a larger portion of its assets in the securities of a single issuer. Your Focus Mid Cap Growth Strategy portfolio could fluctuate in value more than a portfolio utilizing a more diversified strategy.

*International Small Cap, Global Small Cap and Emerging Markets Small Cap Strategies Risk.* Portfolios in the International Small Cap, Global Small Cap and Emerging Markets Small Cap Strategies are subject to the same risks disclosed above with respect to the Small Cap Growth Strategy. In addition, portfolios in the International Small Cap, Global Small Cap and Emerging Markets Small Cap Strategies are subject to the risk of investments in foreign companies that are disclosed below.

*Equity Securities Risk.* Common stocks and other equity securities generally increase or decrease in value based on the earnings of a company and on general industry and market conditions. The value of a company's share price may decline as a result of poor decisions made by management, lower demand for the company's services or products or if the company's revenues fall short of expectations. There are also risks associated with the stock market overall. The stock market may experience periods of turbulence and instability.

*Small and Middle Capitalization Company Risk.* Investing in securities of small and middle capitalization companies generally involves a higher degree of risk than investing in securities of larger companies. The prices of securities of small and mid-sized companies are generally more volatile than those of larger companies, they generally will have less market liquidity, and they may be more likely to be adversely affected by poor economic or market conditions. These risks generally increase as the size of the companies decrease.

*Preferred Stock Risk.* Preferred stock is a class of a capital stock that typically pays dividends at a specified rate. Preferred stock is generally senior to common stock, but subordinate to debt securities, with respect to the payment of dividends and on liquidation of the issuer. The market value of preferred stock generally decreases when interest rates rise (interest rate risk) and is also affected by the issuer's ability to make payments on the preferred stock (credit risk).

*Foreign Investing Risk.* Investments in foreign companies and markets carry a number of economic, financial and political considerations that are not associated with the U.S. markets and that could unfavorably affect your account's performance. Among those risks are greater price volatility; weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; fluctuations in foreign currency exchange rates and related conversion costs; adverse tax consequences; and settlement delays.

*Emerging Markets Risk.* The risks of foreign investments typically are greater in emerging and less developed markets. For example, political and economic structures in these less developed countries may be new and changing rapidly, which may cause instability and greater risk of loss. Their securities markets may be less developed and securities in those markets are generally more volatile and less liquid than those in the developed markets. Emerging market countries also are more likely to experience high levels of inflation, deflation or currency devaluations,

which could hurt their economies and securities markets. Certain emerging markets also may face other significant internal or external risks, including a heightened risk of war and ethnic, religious and racial conflicts. In addition, governments in many emerging market countries participate to a significant degree in their economies and securities markets, which may impair investment and economic growth of companies in those markets. High levels of national debt tend to make such markets also heavily reliant on foreign capital and, therefore, vulnerable to capital flight.

*ETFs Risk.* An investment in an ETF generally presents the same primary risks as an investment in a conventional mutual fund (i.e., one that is not exchange traded) that has the same investment objective, strategies and policies. The price of an ETF can fluctuate within a wide range, and an ETF will lose value if the prices of the underlying investments owned by the ETF go down. Like mutual funds, ETFs are subject to investment advisory, transactional, operating and other expenses.

### **Item 9 - Disciplinary Information**

There have been no legal or disciplinary events involving Arbor or any of our employees involving investments or investment-related activities or that are otherwise material to a client's evaluation of our advisory business or the integrity of our management.

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

Arbor is an independent, employee-owned investment adviser. We are not affiliated with any other financial services firms.

Arbor serves as a sub-adviser to the Russell Fund. Arbor also serves as the investment adviser and managing member of the Private Funds. The employees who serve in multiple capacities for Arbor, the Russell Fund and the Private Funds at times may face inherent conflicts of interest in allocating their time and in serving the interest of Arbor's clients, Russell Fund shareholders, Private Fund members, and Arbor's financial and other interests. However, Arbor monitors these conflicts through its compliance program and code of ethics to ensure that the interests of its clients, Russell Fund shareholders and Private Fund members are placed above all others.

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

Arbor maintains a Code of Ethics (the "Code") that governs all employees and requires them to adhere to the highest standards of business conduct. The Code addresses Arbor's policies relating to compliance with laws and regulations, conflicts of interest, confidentiality, client gifts and entertainment, personal trading and reporting and insider trading, and is intended to assist employees in carrying out their duties as fiduciaries to clients. A copy of the Code is available upon request.

Arbor and/or its employees may invest in the same securities that are recommended to clients. Transactions by employees are governed by the Code. Employees may invest in securities held by client accounts subject to the restrictions and procedures in the Code. Arbor prohibits its

employees from engaging in securities transactions that would create a conflict of interest with its clients. In particular, employees are required to give priority to a client's transactions over personal transactions at all times. In addition, Arbor requires employees to pre-clear all personal securities transactions. Employees are also prohibited from acquiring any securities in an initial public offering. Finally, employees are prohibited from trading in their own accounts, or on behalf of a client, on the basis of material, nonpublic information (i.e., inside information). Personal trading activities are monitored by Arbor's chief compliance officer.

From time to time, Arbor may recommend that clients invest in the Private Funds. As described in Item 4, above, Arbor serves as investment adviser and managing member of the Private Funds in exchange for fees or other direct or indirect benefits. Such investments may present a conflict of interest because Arbor has a financial interest in the transaction. Arbor maintains policies, procedures and controls that it believes are reasonably designed to ensure such conflicts are addressed, such as regular reviews of client accounts and compliance program monitoring by Arbor's chief compliance officer to ensure all fiduciary obligations are being met.

### **Item 12 - Brokerage Practices**

Arbor will generally determine the broker or dealer (the "broker") through which securities transactions are executed. In selecting a broker, Arbor considers the full range and quality of a broker's services, and evaluates a number of factors including:

- the value of the research provided;
- execution, clearance and settlement capabilities;
- commission rates;
- financial responsibility; and
- responsiveness to Arbor.

When selecting or recommending brokers, Arbor does not consider whether the broker refers clients to Arbor. The primary criteria considered by Arbor in selecting a broker is the ability of the broker, in Arbor's opinion, to secure best execution at the best security price available with respect to each transaction, in light of the overall quality of brokerage and research services provided to it or its clients. The best price means the best net price without regard to the mix between purchase or sales price and commissions. Because of the factors noted above, a broker effecting a transaction may be paid a commission higher than that charged by another broker. As a result, while Arbor seeks competitive commission rates, transactions for client accounts may not be effected at the lowest commission rate. Arbor has adopted procedures to ensure its duty of best execution is being met, including reviews of brokerage execution by Arbor's chief compliance officer.

### **Directed Brokerage**

While clients may designate, in writing, a broker through which securities transactions should be effected for their accounts, Arbor does not recommend this course of action for most clients. The reason is that designation of a broker by a client may cause the client to pay a higher total transaction costs than otherwise may be available. In addition, Arbor may not be authorized

under those circumstances to negotiate commissions and may not be able to obtain volume discounts on aggregated orders (which could result in less advantageous prices and far greater transaction costs) or achieve most favorable execution of client transactions. Under these circumstances, a disparity in commission charges may exist between the commissions charged to clients who direct Arbor to use a particular broker and those clients who do not. Accordingly, directed brokerage may cost you more money. As a result, client-directed accounts may have performance that is different from that of comparable, non-directed client accounts. Clients should consider the implications of any fiduciary laws applicable to them prior to designating a broker for execution of all trades.

### Soft Dollar Arrangements

Certain brokers who provide best execution may furnish proprietary research services and related products to Arbor for use in managing client accounts. Research services provided to Arbor may also include research services offered by third parties through the executing broker. Commission payments in exchange for research services are commonly referred to as “soft dollars.” In accordance with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, clients may pay higher than the lowest commission rates available in return for such soft dollar benefits. Such research services may include:

- oral and written advice regarding the value of securities;
- the advisability of purchasing securities;
- the availability of securities or purchasers or sellers of securities;
- analyses and reports concerning issuers, industries, securities, economic factors and trends;
- portfolio strategy; and
- the performance of accounts.

To the extent that Arbor uses client transactions to obtain research or other products or services that Arbor could otherwise purchase for cash, Arbor receives a benefit because we do not have to produce or pay for such research, products or services. As a result, Arbor may have an incentive to place more trades or pay higher commissions than would otherwise be the case due to our interest in receiving these benefits, rather than our client’s interest in receiving most favorable execution. However, Arbor monitors this potential conflict of interest by reviewing all research and brokerage services annually to determine the reasonableness of the brokerage allocation and/or price for such services. In no case will Arbor make binding commitments to allocate brokerage in return for research, products or services.

Allocating brokerage business to brokers who provide research services to Arbor allows Arbor to supplement its investment research activities, and to benefit from the views and information of individuals and staffs of many different securities research firms prior to making investment decisions for a client. Research services are used by Arbor in servicing all of its client accounts and may not necessarily be used in connection with the account that paid the commissions to the brokers providing such services. Arbor believes it is not possible to measure separately the benefits from research services to each of the client accounts. In addition, Arbor believes that costs to the accounts will not be disproportionate to benefits received on a continuing basis.

While Arbor endeavors to purchase with soft dollars only those services that fall within the definition of “brokerage and research services” as provided in Section 28(e) of the Exchange Act, there are some services which could have a “mixed use” (i.e., for both research and other client service purposes). This occurs when services which provide valuable research may also be used incidentally for functions such as performance evaluation or accounting, which may benefit Arbor. Where products or services have a mixed use, Arbor must allocate the value and pay cash for the portion of such products and services used for non-research purposes. This allocation decision may present a conflict of interest to Arbor because it is deciding how much the firm will pay in cash. Arbor’s compliance procedures require that such allocations be made in good faith.

Currently, Arbor utilizes the services of ConvergeX Group’s Westminster Research Associates LLC (“Westminster”), a FINRA-registered broker, to administer its soft dollar program. Arbor believes that it and its clients benefit from the services of Westminster in that it provides Arbor with the ability to execute soft dollar orders with over 150 brokers, including electronic communication networks or ECNs, while consolidating most of the administrative, servicing and reporting functions of its soft dollar activities with one firm. Under this arrangement, Arbor executes transactions for client accounts through its regular institutional sales trader at the participating broker at the commission rate it has negotiated with such broker, and Arbor instructs the broker to credit Westminster for the soft dollar portion of the transaction. Westminster then accounts and reports all soft dollar trading activity from each broker in a single monthly statement to Arbor. Arbor then uses these soft dollar credits to receive research from third party research firms of its choosing. Arbor believes that this relationship provides for an enhanced ability to achieve best execution on each transaction, as Arbor can take advantage of the inventory and trading expertise of these brokers in the market sectors they cover and it allows Arbor to shift order flow as needed.

#### Trade Allocation and Aggregation

While Arbor makes investment decisions for each of its client accounts on an individual basis, Arbor may determine on occasion that the purchase or sale of a security is in the best interests of more than one client account. In such cases, Arbor will aggregate or bunch orders for the purchase or sale of the same security where Arbor deems this to be appropriate, in the best interests of clients and consistent with applicable regulatory requirements. When Arbor bunches orders, it will generally allocate trades on a pro-rata basis across all accounts for which the purchase or sale is suitable and, with respect to purchases, for which the account has available funds. Each participating client account will participate in the bunched order at the average share price for the order on the same business day. Transaction costs generally will be shared pro-rata based on each client’s participation in the bunched order. However, there may be occasions when clients may pay disparate transaction costs due to minimum charges per account imposed by either the broker effecting the transaction or the client’s custodian.

With respect to “new issues,” unless Arbor receives an allocation which is large enough to distribute on a pro-rata basis, Arbor will distribute such shares to client accounts on a sequential basis. See Item 19, “Additional Information – IPO Policy,” below. In addition, under certain circumstances, such as the rebalancing of client accounts, Arbor may recommend both the purchase and the sale of a security for separate advisory accounts on the same day. In the event

that more than one account simultaneously purchases or sells the same security, the transaction will be averaged as to price and allocated as to amount, as well as to expense incurred in the transaction, in accordance with arrangements equitable to each account. The simultaneous purchase or sale of the same securities by client accounts may have detrimental effects on accounts, as such purchases or sales may affect the price paid or received by the accounts or the size of the position obtainable by an account.

### Trade Errors

As a fiduciary, Arbor has the responsibility to effect trade orders correctly, promptly and in the best interests of our clients. Arbor's chief compliance officer is responsible for ensuring that any such trade errors are promptly identified, corrected and documented. In the event any error occurs in the handling of any client transactions, Arbor's policy is that clients are made whole. If Arbor causes a trade error to occur in a client account that results in a loss, Arbor will reimburse the client. Any gain related to the error will remain in the client's account.

### **Item 13 - Review of Accounts**

Arbor's investment management team, which includes Arbor's chief executive officer and chief investment officer, Rick D. Leggott, and Arbor's portfolio managers, Robert S. Drobinski, David M. Himebrook, Adam J. Kuhlmann, Robert J. Mlnarik, David B. Shepley and Steven M. Larson, regularly review client accounts in relation to the client's investment objectives and policies as communicated to Arbor by the client, including reviews to ensure that the portfolios are managed in accordance with Arbor's investment strategies.

*Separately Managed Account Clients.* Clients will receive written monthly portfolio valuation reports from Arbor describing their investment performance results and portfolio holdings, including cost and market values. At least quarterly, clients will receive a descriptive letter from Arbor which discusses portfolio strategy, capital markets and investment results. If requested, clients may receive confirmation of each transaction, transaction summaries and other reports, such as capital gain and loss summaries. Clients also receive account statements from their custodian at least quarterly.

*Mutual Fund Clients.* Arbor will submit quarterly reports to the board of directors of any mutual fund to which it provides investment advisory services. The reports will generally contain information about such fund's holdings, current market and economic conditions and investment techniques used to implement the fund's investment strategy. In addition, Arbor will provide fund shareholders with annual and semi-annual reports which discuss investment performance, relevant market and economic conditions affecting the fund and its portfolio holdings. Quarterly reports containing similar information will also be provided to fund shareholders.

*Private Fund Clients.* Arbor provides periodic reports (quarterly and annually) to those persons who invest in private funds for which Arbor serves as the investment adviser. These reports will provide information to such investors, including, but not limited to, the value of their investments and the financial operation and condition of the private fund. Annual reports that include financial statements audited by an independent PCAOB-registered public accounting firm are delivered to investors within 120 days following the end of each fiscal year.

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

Other than the soft dollar benefits disclosed in Item 12, above, Arbor does not receive commissions or any other economic benefit from a non-client in connection with providing advice to clients.

Arbor may enter into agreements with third parties pursuant to which Arbor will pay a cash fee to such third parties in return for client referrals made in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, and any applicable state securities laws. Arbor has entered into an agreement with a third party investment firm that may introduce Arbor to advisory clients in exchange for a portion of the management fee received from those clients. Prior to signing a contract with Arbor, clients referred by third parties are provided with information describing the nature of these payments. In all cases, the payments made do not increase or decrease any advisory fee the client pays to Arbor.

#### **Item 15 - Custody**

Arbor does not act as custodian for any client accounts. All clients must appoint a qualified custodian, such as a broker, bank or trust company, to have possession of the assets of the account, to settle transactions for the account and to accept instructions from Arbor regarding the assets in the account. All clients receive quarterly account statements directly from the custodian. *Please compare the information in the portfolio valuation reports prepared by Arbor with the information in the account statements provided by the custodian.*

In its role as manager of the Private Funds, Arbor acts in a capacity that provides it legal access to the securities and funds of each Private Fund in a manner that may result in Arbor having “custody” of the Private Fund’s assets, as that term is defined in Rule 206(4)-2 under the Advisers Act. Each Private Fund’s financial statements are audited by an independent PCAOB-registered public accounting firm and delivered to investors in the Private Fund, in accordance with SEC requirements.

#### **Item 16 - Investment Discretion**

Arbor generally has discretionary authority to purchase and sell securities for client accounts by virtue of a limited power of attorney executed by the client as part of the investment advisory agreement, subject to any written investment objectives, policies and restrictions outlined in the investment advisory agreement for a client’s account. These restrictions may affect the performance of the client’s account relative to other accounts.

As a sub-adviser to the Russell Fund, Arbor is subject to the limitations imposed in the fund’s prospectus and various securities laws with regard to investment decisions affecting the fund. As the investment adviser to the Private Funds, Arbor is subject to the limitations imposed in each fund’s private offering memorandum and various securities laws with regard to investment decisions affecting the fund.

From time to time, Arbor may provide investment advisory services on a non-discretionary basis.

### **Item 17 - Voting Client Securities**

As specified in the investment advisory agreement, Arbor will generally vote all proxies on behalf of the client, unless the client wishes to retain proxy voting authority and has designated this election to Arbor in writing. Clients that wish to have Arbor vote proxies in a particular manner should provide us with a copy of the client's proxy voting guidelines.

Arbor has adopted proxy voting policies and procedures (the "Proxy Voting Policy") designed to ensure that Arbor votes proxies in the best interests of its clients. Arbor's chief compliance officer is responsible for overseeing the day-to-day operation of the Proxy Voting Policy. Because of the increasing complexity in administering proxy voting policies, Arbor has engaged a nationally recognized proxy voting agent (the "Proxy Voting Agent") to assist in researching proxy proposals, providing voting recommendations on each ballot issue and administering client proxy votes.

Arbor has determined that the proxy voting guidelines, as amended and supplemented from time to time, published by the Proxy Voting Agent (the "Guidelines") are consistent with Arbor's guiding principal that proxies should be voted in the best interests of the client. Arbor has instructed the Proxy Voting Agent to vote in accordance with the Guidelines unless one of the following conditions applies:

- Arbor has decided to override the Proxy Voting Agent's vote decision for a client based on its own determination that the client would best be served with a vote contrary to the Proxy Voting Agent's vote decision.
- The Proxy Voting Agent does not provide a vote decision, in which case Arbor will independently determine how a particular issue should be voted.

Unless Arbor makes a voting decision pursuant to the conditions identified above, Arbor does not address material conflicts of interest that could arise between Arbor and our clients. Since Arbor relies on the Proxy Voting Agent to cast proxy votes independently, pursuant to the Guidelines, Arbor has determined that any potential conflict of interest between Arbor and our clients is adequately mitigated.

However, when Arbor is involved in making the determination as to how a particular proxy ballot will be voted pursuant to the conditions identified above, Arbor will take one of the following steps to resolve the conflict:

- vote the securities based on a pre-determined voting policy if the application of the policy to the matter presented to shareholders involves little discretion on our part;
- refer the proxy to the client or to a fiduciary of the client for voting purposes;
- suggest that the client engage another party to determine how the proxy should be voted; or
- disclose the conflict to the client and obtain the client's consent or direction before voting.

Upon request of Arbor, a client may obtain a copy of the Proxy Voting Policy and information on how the client's portfolio securities were voted.



## **Item 18 - Financial Information**

Arbor does not have any financial condition that would impair our ability to meet contractual commitments to clients. A balance sheet is not required to be provided because we do not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

## **Item 19 - Additional Information**

### IPO Policy

Arbor may invest in securities being offered in an initial public offering (“IPO” or “new issue”), if it determines that such an investment is desirable for one or more clients. In making this judgment, Arbor generally considers, among other things:

- a client’s investment objectives, restrictions and tax circumstances;
- a client’s tolerance for risk and high portfolio turnover;
- the nature, size and investment merits of the IPO;
- the size of a client’s account and the client’s cash availability and other holdings; and
- other current or expected competing investment opportunities that may be available for the account.

Sometimes the demand for new issues exceeds the supply, and the amount of certain new issues made available to Arbor may be limited. If Arbor is not able to obtain the total amount of securities needed to fill all orders, Arbor will distribute the shares actually obtained to client accounts on a pro rata basis. Arbor’s employees are prohibited from acquiring any securities in an IPO.

Arbor’s policy and procedures for allocating IPO investment opportunities are designed to ensure that all clients that are eligible to participate in IPOs are treated fairly and equitably over time. Arbor’s chief compliance officer periodically will review random trade allocations to assess whether all eligible accounts received an equitable allocation of the new issue consistent with their investment objectives and to ensure that the allocation policy and procedures are being followed.

### Legal Proceedings

While Arbor is not required, by law or by contract, to act on behalf of clients in legal proceedings, including class actions and bankruptcies, involving securities held or previously held in client accounts, Arbor will undertake to take appropriate action on behalf of clients when notified of such proceedings by the client’s custodian. Notwithstanding Arbor’s willingness to act in this regard, clients should understand that they are ultimately responsible for knowing the rights and terms of the securities held in their accounts and for taking action to realize the value of advantageous transactions.

Revised October 2013

**FACTS**      **WHAT DOES ARBOR CAPITAL DO WITH YOUR PERSONAL INFORMATION?**

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>• Social Security number and other personal identifying information (e.g., address, telephone number, date of birth);</li> <li>• Investment objectives, risk tolerance and financial assets; and</li> <li>• Investment holdings, account information and transaction history.</li> </ul> <p>When you are <i>no longer</i> our customer, we continue to share your information as described in this notice.</p>
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Arbor Capital chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Arbor Capital share?	Can you limit this sharing?
<b>For our everyday business purposes</b> – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes</b> – to offer our products and services to you	No	We don't share
<b>For joint marketing with other financial companies</b>	No	We don't share
<b>For our affiliates' everyday business purposes</b> – information about your transactions and experiences	No	We don't share
<b>For our affiliates' everyday business purposes</b> – information about your creditworthiness	No	We don't share
<b>For our affiliates to market to you</b>	No	We don't share
<b>For nonaffiliates to market to you</b>	No	We don't share

Questions?	Call (612) 317-2950.
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**Arbor Capital Management, LLC**  
**Form ADV, Part 2A**

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Who we are	
Who is providing this notice?	Arbor Capital Management, LLC
What we do	
How does Arbor Capital protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and offices.
How does Arbor Capital collect my personal information?	<p>We collect your personal information, for example, when you:</p> <ul style="list-style-type: none"> <li>• information we receive from clients in account agreements or other forms;</li> <li>• information we receive from clients through transactions, correspondence and other communications; and</li> <li>• information we otherwise obtain from clients in connection with providing them a financial product or service.</li> </ul>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"> <li>• sharing for affiliates' everyday business purposes – information about your creditworthiness;</li> <li>• affiliates from using your information to market to you; and</li> <li>• sharing for nonaffiliates to market to you.</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing. To the extent those state laws apply, we will comply with them with respect to your personal information.</p>

Definitions	
Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>• <i>Arbor Capital does not share with our affiliates.</i></li> </ul>
Nonaffiliates	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>• <i>Arbor Capital does not share with nonaffiliates so they can market to you.</i></li> </ul>
Joint marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>• <i>Arbor Capital does not jointly market.</i></li> </ul>

Other important information	
<p>If you conduct business with us through an investment professional, we may exchange information we collect with them or with others at their direction. Because one or more other financial professionals, such as a financial planner, broker-dealer or bank, are also servicing your account, that firm will have personal information about you as well. Please review all applicable privacy policies for a complete understanding of how your personal information is treated.</p>	