

Arin Risk Advisors, LLC

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FORM ADV PART 2A BROCHURE

Form ADV, Part 2; our "Disclosure Brochure" or "Brochure" as required by the Investment Advisers Act of 1940 is a very important document between our clients and Arin Risk Advisors LLC.

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, serve as information you use to evaluate us (and other advisers), and factor in to your decision either to hire us or uphold the maintenance of a mutually beneficial relationship.

This brochure provides information about the qualifications and business practices of Arin Risk Advisors, LLC. If you have any questions about the contents of this brochure, please contact Lawrence Lempert, Chief Compliance Officer at 610-822-3400, or llempert@arinllc.com.

The information in this Brochure has not been approved nor verified by the United States Securities and Exchange Commission (SEC) nor by any State Securities Authority.

Additional information about Arin Risk Advisors, LLC is available at the SEC's website www.adviserinfo.sec.gov (click on the link, select "Investment Adviser Firm search" and type in "Arin"). Results will provide you both Part 1 and 2 of the Arin Risk Advisors LLC Form ADV.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Lawrence Lempert at 610-822-3400 or llempert@arinllc.com.

Item 2 Summary of Material Changes

The following is a Summary of the Material Changes to the Part 2A disclosure brochure for Arin Risk Advisors, LLC which have occurred since the filing of our last annual updating amendment on January 23, 2014.

(1) We disclosed that VegaEx, one of the private funds we manage, seeks to achieve its investment objective by utilizing various trading techniques with a portfolio of long and/or short options, common stocks, fixed income securities, commodities, exchange traded funds (ETFs), index related instruments, customized baskets of securities, and short-term instruments.

(2) Our regulatory assets under management that we reported decreased significantly due to the fact that we no longer include certain underlying assets in reporting.

(3) We disclosed that we no longer report the collateral value of assets when computing our assets under management. We now use the premium value of options as well as any underlying assets for which we have discretion.

(4) John Roman is no longer associated with our firm.

(5) Brian Lauzon joined our firm as Director of Business Development.

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Item 4 Advisory Business

Firm Background

Arin Risk Advisors, LLC ("Arin") operates from an office located in Conshohocken, Pennsylvania. Arin Risk Advisors, LLC was organized as a limited liability company under the laws of Delaware in 2009. In April 2010, Arin Holdings, LLC acquired Arin Risk Advisors, LLC. At the time of the acquisition, the ownership structure of Arin Holdings, LLC matched Arin Risk Advisors, LLC. Subsequent events resulted in ownership changes of Arin Holdings, LLC.

Ownership Structure

The owners of Arin Holdings, LLC now include:

Beneficial Owner	Title	% Ownership
Joseph DeSipio	Managing Member	40.68%
Lawrence Lempert	Managing Member	40.68%
Joseph Leska	Trader	4.77%
Chad Levine	Trader	4.77%
Ryan Bailey	Trader	0.95%
Others (4)		8.15%

Arin Risk Advisors, LLC remains 100% owned by Arin Holdings, LLC.

Assets Under Management

As of December 31, 2014, we provide continuous management services for \$25,569,427 in client assets on a discretionary basis.

We no longer report the collateral value of assets when computing our assets under management. We now use the premium value of options as well as any underlying assets for which we have discretion. For example, a \$100 million portfolio of long stocks collateralizing the purchase of an out of the money, weekly put option yields an AUM value of approximately \$24,000.

Description of Services and Fees

We have been providing investment advisory services since 2009. These investment advisory services primarily include volatility and options overlay management. We are also the investment adviser to the Arin Large Cap Theta Fund, a series of the Starboard Investment Trust, a registered mutual fund and one private pooled investment vehicle, VegaEx, LP.

We focus on protecting financial assets and enhancing the yield from portfolios in conjunction with other financial advisors. We also attempt to help investors earn returns through certain strategies designed to benefit from return and price volatility. Volatility represents a differentiated source of return for most investors. We assist with budgeting market risk exposures and assist in creating risk buckets which may or may not require some form of hedging. We typically personalize the level of service for each client and their assets. We offer model strategies that allow us to allocate trades across any number of accounts typically on a pro rata basis, based upon each account's Net Liquidation Value. Model strategies accommodate trade implementation for a group of accounts that follow an identical or similar objective. Under this model strategy approach, your assets remain in your name and in your separately owned account.

Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Arin Risk Advisors, LLC and the words "you", "your" and "client" refer to you as either

a client or prospective client of our firm. In addition, you may see the term Associated Person or Investment Adviser Representative throughout this Brochure. As used in this Brochure, our Associated Persons or Investment Adviser Representatives are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Investment Management Services - we direct the purchase and sale of securities

Sub-advisory Services

In providing Investment Management Services, our focus is on acting as a sub-advisor whereby we will, on a discretionary basis, manage the accounts of the clients of third party advisers and institutions pursuant to a sub-advisory agreement with the third party. Depending on the relationship, in some cases, the third party primary adviser will have the responsibility to determine the client's suitability, investment objectives, risk tolerance and other relevant information (the "parameters"). In these cases, we will manage the account according to the parameters conveyed to us by the third party. In other cases, we may assume the responsibility for determining the parameters.

Separately Managed Accounts

Clients may also retain Arin directly to provide customized portfolio management services or you may choose to have us manage accounts in accordance with one of our existing model strategies or any combination of these two approaches.

We provide investment management services on either a discretionary or non-discretionary basis, depending upon your individual needs. We assess your individual needs based upon the information you provide us. **It is incumbent upon you to keep us informed of any changes that may impact the manner in which we manage your assets.** We work with you to determine the type of contractual relationship and investment objectives most appropriate for your circumstance. In establishing your investment plan, we may allow you to impose restrictions on investing in certain types of securities, industries, or other investing restrictions and limitations such as the account custodian or brokerage firm to use on your behalf. You may elect to change your investment objective at any time and we will work with you to make any required adjustments to your investments.

Once we construct an investment portfolio for you or you select a model strategy, we will monitor your portfolio's performance on an ongoing basis. We will adjust the portfolio as required by changes in market conditions and in your financial circumstances. **For us to be most effective, we ask that you promptly inform us of any meaningful changes (e.g. job status, marital status, dependency status, litigation, or other potential assets or liabilities) to the information you provided.**

If you participate in our discretionary investment management services, you will grant our firm discretionary authority to manage your account. Discretionary authorization allows us to determine the specific securities and the amount of these securities to be purchased or sold for your account, the broker-dealer to be used to make trades for your account, and the commission rate paid to brokers without your prior approval. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and/or through trading authorization forms provided by your account's custodian. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased or strategies that can be employed for your account) by providing us with your restrictions and guidelines in writing.

If you enter into non-discretionary arrangements with our firm, we must obtain your approval before executing any transactions on behalf of your account.

We may use one or more sub-advisors when providing investment management services. Please refer to the description of the Large Cap Active Core Plus Strategy under Item 8 Investment Strategies

below for a description of our current sub-advisory relationship. We pay a portion of the investment advisory fee you pay us to the sub-advisor for their services. In some cases, we may also act in a sub-advisory capacity whereby we are retained by a client's primary advisory to provide investment management services to the primary advisor's clients.

We usually charge for our investment management services through a percentage of assets under management method. This means that on each measurement date, usually the 15th day or last day of each month, we work with your custodian or brokerage firm to value your assets covered under our agreement. We then multiply our agreed upon fee rate to this asset value as determined by our policy and procedures and generate an invoice. Below, we have outlined our standard investment management fees for each type of investment service we offer. Unless otherwise noted, the standard fees described below do not include such items as brokerage commissions, transaction charges, margin interest, hard to borrow fees, transfer taxes, exchange fees, electronic fund and wire transfer fees, taxes or fees mandated by any federal, state, or other applicable law or regulation, and certain other fees detailed below.

Management of Collective Investment Vehicles

Arin Large Cap Theta Fund

We are the investment adviser to the Arin Large Cap Theta Fund (the "Theta Fund"), a registered mutual fund and series of the Starboard Investment Trust. The investment objective of the Theta Fund is maximum relative total return versus the S&P 500 Stock Index through a combination of capital appreciation and current income. We seek to achieve the Theta Fund's investment objective by investing in a portfolio of common stocks, exchange-traded funds ("ETFs"), and futures contracts, while also engaging in option trades that we believe will be profitable due to perceived pricing discrepancies in the options market. Investors and prospective investors should refer to the Theta Fund's prospectus for information concerning the Fund. We do not charge you separate investment advisory fees for assets allocated to this fund.

VegaEx, LP

We are the investment adviser to the VegaEx, LP (the "VegaEx LP"), a privately placed investment fund. VegaEx LP is an actively managed, opportunistic investment program optimizing various volatility style trading strategies. Interests in the VegaEx LP are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. VegaEx LP currently relies on an exemption from registration under the Investment Company Act of 1940, as amended. Arin does not receive any compensation (outside of its management and performance fee as set forth in Item 5) if a client invests in VegaEx LP. While VegaEx LP is generally Arin's client, the term "client(s)" sometimes refers to the investors in VegaEx LP. Participation as an investor in the Fund is restricted to investors who are "qualified clients" pursuant to Rule 205-3 under the Advisers Act, as well as those who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, and "qualified purchasers" as defined under the Investment Company Act of 1940, as amended. To the extent certain of Arin's individual wealth management or portfolio management clients qualify, they will be eligible to participate as limited partners of VegaEx LP. Investment in VegaEx LP as a limited partner involves a significant degree of risk. Investors should review relevant information, terms and conditions relative to VegaEx LP, including but not limited to suitability, limited rights of redemption, risk factors and potential conflicts of interest, which are set forth in the Confidential Private Offering Memorandum, Investor Agreement, and Subscription Agreement (together, the "Offering Documents"), which each investor is required to receive and/or execute prior to being accepted as an investor in VegaEx LP. For additional information regarding the VegaEx LP, please refer to the Offering Documents. VegaEx LP seeks to exploit relative levels of implied volatility within a given security, between two securities, or between a security or group of securities and an index. VegaEx LP's net exposures may leave accounts exposed to equity market moves and changes in the overall level of

equity market volatility. For more information on the VegaEx LP, please refer to VegaEx Strategy in Item 8 below.

Investment Consulting Services - we serve as your primary advisor but direct and coordinate your investment management with third party managers, in whole or in part

On very rare occasions, we offer limited investment consulting services, which primarily involve advising clients on specific financial-related topics. Consulting services may include, but are not limited to, development of investment policy statements; asset allocation advice; third party manager due diligence, evaluation, selection, monitoring; risk assessment; performance measurement; advice and analysis on specific investments; credit analysis; business valuation; and limited financial planning.

Selection of Other Advisers

As part of our investment advisory services, we may recommend that you use the services of a third party money manager ("MM") to manage all, or a portion of, your investment portfolio. After gathering information about your financial situation and objectives, we will recommend that you engage a specific MM or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to: your financial and investment goals, your risk tolerance, the MM(s)' investment objective, the MM(s)' fees, the MM(s)' method of analysis. We will periodically monitor the MM(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives.

You will be required to sign an agreement directly with the recommended MM(s). You may terminate your advisory relationship with the MM according to the terms of your agreement with the MM. You should review each MM's brochure for specific information on how you may terminate your advisory relationship with the MM and how you may receive a refund, if applicable. Not all MMs permit clients to terminate at will. Some managers restrict the number of occasions when investors may terminate their contract or demand funds from their account. You should contact the MM directly for questions regarding your advisory agreement with the MM. Based upon your selected custodian or brokerage, your MM selections may be restricted.

Types of Investments

We do not primarily recommend one type of security or contract over another. We generally recommend various types of securities and contract types as your circumstance requires. You may request that we refrain from investing in particular types of securities or companies or use the services of particular custodians or brokerages. You must provide these restrictions to our firm in writing. These restrictions may impact our ability to manage your assets.

Item 5 Fees and Compensation

Fees for Separate Accounts

Our standard fee schedule for separately managed investment advisory services is determined as a percentage of assets under management and is calculated as follows:

Strategy	Management Fee
Bespoke	Up to 1.00% with or without a performance fee performance fee
Customized Exposure Management	0.20% - 0.80%
Equity Hedge	0.60%
Enterprise Risk Management	0.20%
Fixed Income/Interest Rate Hedge	0.30%

General Portfolio Management	0.50%
Large Cap Theta	0.40%
Large Cap Theta Plus	0.75 - 0.90%
VegaEX	1.50%, plus performance fee

While it is our general policy to charge the stated fees above, your fees may be subject to negotiation or modification depending upon the nature of the services offered or your particular circumstances.

We will quote an exact fee percentage for each account based on both the complexity and expected effort to manage your account. At our discretion, we may combine the account values of related parties to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts.

Unless otherwise arranged, we bill in arrears based upon the value of the assets in your account(s) on the 15th or last business day of the month as our agreement specifies.

If we execute our agreement at any time other than the 15th or first day of the calendar month depending upon the terms of our agreement, we will apply our fees on a pro rata basis. This means we will bill you for the partial month of service; our advisory fee is payable in proportion to the number of days in the month for which you are a client.

In lieu of or in addition to the fees stated above, if you have a net worth greater than \$2,000,000 or if we manage at least \$1,000,000 of your assets, we may agree on a negotiable performance based fee ("PBF"). The PBF only applies to certain strategies and ranges from 10% and 15% of the appreciation of your account value each month or in some cases, each year. The PBF is subject to a high water mark. A high water mark means you will only pay a PBF to the extent the account value, when adjusted for contributions and withdrawals, exceeds the highest account value reached over the entire measured value history of the account. Each monthly measurement date, each annual measurement date, or termination date results in the opportunity for us to bill the PBF, subject to the high water mark. Since we need to know if the account exceeded the high water mark, we bill PBF in arrears.

PBFs may cause a potential for conflict of interest. A PBF may create an incentive for us to make investments that are riskier or more speculative than would otherwise be the case absent a PBF. In certain cases, we may charge a lower (or no) base management fee in conjunction with a higher PBF.

Fee Payment Options for Separate Accounts

There are two options you may select to pay for our services:

1. Direct debiting (preferred) - at the inception of our relationship and each month thereafter, we will notify your custodian of the amount of the fee due and payable to us as provided by our investment management agreement. The contract you execute with us provides a pre-approval to "deduct" our fees from your account. If you have more than one account, you can designate the specific account(s) to pay our advisory fees. Unless you specifically retain them to do so, your custodian does not validate nor confirm the fee calculation, including the asset values that serve as the basis for the fee calculation. We provide you with a copy of the invoice submitted to the custodian.

Most custodians will provide you with a monthly activity statement. This statement presents all of your account(s) transactions, positions, and credits/debits into or from your account; including advisory fees paid to us.

2. Pay-by-check - at the inception of our relationship and each month thereafter, or in some cases in each quarter, thereafter, we will issue an invoice for our services. This invoice is due upon receipt. You may pay by check or electronic funds/wire transfer, or as negotiated and documented in your contract.

Fees Due Upon Termination

Either party may terminate the investment management agreement for any reason upon 30-days' written notice to the other. You will incur a pro rata charge for services rendered until the termination of the investment management agreement. This means you will incur advisory fees only in proportion to the number of days in the billing period during which you remain a client. Any prorated balance under \$100 is not refundable. Upon notification of termination and under your direction, we will assist you with the method of closing any open positions to minimize risk levels and preserve capital. Unless you notify us otherwise in writing, we will cease to open new positions for the account as of notification to terminate date. There is no assurance the account will retain its value from the notification date to termination date to the actual withdrawal date.

Arin Large Cap Theta Fund

As compensation for the investment advisory services provided to the Theta Fund, we receive a monthly fee based on Theta Fund's average daily net assets at the annual rate of 0.40%, subject to certain restrictions. We do not include the value of any assets invested in the Theta Fund when calculating our separately managed account fees.

VegaEx LP

For our services as investment adviser to VegaEx LP, we charge up to 150 basis points or 1.50% per annum of the value of the fund's assets. We are also entitled to receive from the general partner to VegaEx LP a performance fee of up to 15% (fifteen percent) if VegaEx's Net Asset Value is measured as a Net New High, as described in the fund's offering documents. Please refer to the Offering Documents for a more complete discussion of the fee for VegaEx LP. We do not include the value of any assets invested in this fund when calculating our separately managed account fee.

Fees for Sub-Advisory Accounts

The agreement between your primary financial advisor, for example a bank, a trust company, a registered investment adviser, a broker-dealer, a consulting firm, and us determines the applicable fee rate. We generally have no knowledge of the fee you pay your primary financial advisor. The primary financial advisor may collect a total advice fee from you or your account on a routine basis and remit only a portion of that fee to us or they may separately bill you for the services we provide. Our base investment management fee for investment advisory services ranges from 0.20% to 1.50% of the assets under management depending upon the level of complexity we undertake on your or your primary advisor's behalf. We determine the investment management fee as a function of the service/strategy, the expected time to manage the assets, and the restrictions imposed upon us to implement the service/strategy.

Under some contractual agreements, the primary financial advisor and Arin each charge and collect a separate fee for our respective services. In this circumstance, you will execute an agreement with your primary advisor and Arin. We may remit a portion of our fee to the primary advisor for their marketing and relationship management support.

Investment Consulting Services

On rare occasions, when we provide investment consulting services, we may charge an asset based fee of up to 1.50% per year of the assets under advisement, a billable rate of \$400 per hour, a fixed fee ranging from \$500 to \$20,000 per month, or some combination of these fee structures. Our fees are

negotiable and the timing of payment due for this service depends on the scope and complexity of services to be rendered. Your consulting agreement defines the rate and terms for payment. Our consulting fees may be charged in advance, upon completion, or some combination of these payment terms. We will not require prepayment of a fee more than six months in advance or in excess of \$1,200.

An estimate of the total time and cost will be determined at the start of the consulting relationship. In limited circumstances, the time and cost could potentially exceed the initial estimate. In such cases, we will notify you and request that you approve the additional fee.

Either party may terminate the investment consulting agreement for any reason upon 30-days' written notice to the other. You will incur a pro rata charge for services rendered until the termination of the investment management agreement. This means you will incur advisory fees only in proportion to the number of days in the billing period during which you remain a client. Any prorated balance under \$100 is not refundable/will be charged. Upon notification of termination and under your direction, we will recommend the closing of any open positions to minimize risk levels and preserve capital. Unless you notify us otherwise in writing, we will cease to recommend new open positions for the account as of the notification to terminate date. There is no assurance the account will retain its value from the notification to terminate date until the actual withdrawal date.

Selection of Other Advisers

Advisory fees charged by MMs are separate and apart from our advisory fees. For selection of other advisers we charge an annual fee of 0.50% for assets up to \$25 million and 0.30% for assets over \$25 million. Our fee is billed and payable monthly in arrears based on the market value of assets managed by the MM on the last trading day of each month.

Advisory fees that you pay to the MM are established and payable in accordance with the brochure provided by each MM to whom you are referred. These fees may or may not be negotiable. You should review the recommended MM's brochure and take into consideration the MM's fees along with our fees to determine the total amount of fees associated with this program.

Additional Fees and Expenses

Advisory fees payable to us represent a portion of the fees you pay when we invest your account. In addition to the fees you pay us, you or your account will pay various direct (explicit) or embedded (implicit) fees to third parties. An example of a direct fee includes a brokerage commission. An example of an embedded fee includes the markup of municipal bonds. Your activity statement or trade confirmations should disclose any direct fees. Embedded fees are most likely to be located in an investment's offering document, such as a prospectus. We do not share in direct nor embedded fees.

You may also incur some or all of the following fees and/or expenses. You or your account pay these charges to third parties and they are not shared by us except in the case of an Arin sponsored investment strategy, vehicle or product. Some of these fees are charged regardless of whether or not there is activity in your account(s). These expenses may be imposed at the fund level, the subadvisory level, and/or the broker-dealer/custodian level and usually include line items such as:

- Advisory fees and administrative fees charged by Mutual Funds (MFs), Exchange Traded Funds (ETFs), Hedge Funds, or other commingled products, if any are used for your account;
- Advisory fees charged by sub-advisers, if any are used for your account;
- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- United States Securities and Exchange Commission and Options Clearing Corporation fees;

- Margin Interest, including "hard to borrow" charges
- Custodian and/or Safekeeping Fees;
- Deferred sales charges (on e.g. MFs or annuities);
- Odd-Lot differentials on certain stock and bond transactions;
- Transfer taxes;
- Wire and/or ACH transfer and other electronic fund processing fees;
- Commissions, spreads, or mark-ups/mark-downs on security transactions.

Broker-dealers or custodians may charge your account transaction fees based upon the trading and/or clearing services they provide. The charges and fees may be either explicit, hard dollar levies or implicit, soft dollar levies such as price and volatility spreads. We do not share in any portion of the brokerage fees/transaction charges imposed by broker-dealers or custodians.

To understand fully the total cost you will incur for investing your funds, you should review all the fees charged by mutual funds, exchange traded funds, hedge funds, or other commingled products, brokerages, banks, trust companies and others in addition to the fees you pay Arin. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Disclosure Brochure.

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

We charge some accounts performance based fees ("PBF") while at the same time managing accounts (perhaps with similar objectives) that are not charged a PBF. This is called "side-by-side management". PBFs and side-by-side management may create conflicts of interest. We identify and describe some of these conflicts in the following paragraphs.

PBFs may create an incentive for our firm to make investments that are riskier or more speculative than would be the case absent a PBF. In order to address this potential conflict of interest, a senior officer of our firm periodically reviews client accounts to ensure that investments are suitable and that the account is being managed according to the client's investment objectives and risk tolerance.

PBFs may also create an incentive for our firm to overvalue investments which lack a market quotation. In order to address such conflict, it is the policy of our firm to "fairly value" any investments, which do not have a readily ascertainable value and as such we generally defer to the custodians' appraised value of assets where there is no readily available market price quotation.

Side-by-side management might provide an incentive for our firm to favor accounts for which we receive a PBF. For example, we may have an incentive to allocate limited investment opportunities to clients who are charged PBFs over clients who are charged asset based fees only. To address this conflict of interest, we first attempt to segregate those accounts that are most closely aligned by objective and should this be inefficient or unfeasible, our policy is to allocate investment opportunities (if they are suitable) in an effort to avoid favoritism among our clients pro rata based upon the Net Liquidation Value of the accounts, regardless of fee agreement in place for each account.

Item 7 Types of Clients

We provide our services to a number of Clients:

- Institutions
- Individuals, including High Net Worth Individuals
- Corporations or other business entities
- Endowments, Foundations, and Trusts

- Private Pensions and Profit Sharing Plans (ERISA)
- Subadvisory Relationships to other Registered Investment Advisors
- Registered Mutual Fund
- Pooled Investment Vehicles

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your account if it falls below a minimum size, which, in our sole opinion, is too small to manage effectively. Certain custodians or brokerages may impose minimums, which we do not control. Some of our strategies require Portfolio or Risk Based Margin - described below. Some custodians impose a minimum account balance to qualify for this specific type of margin.

Investors in VegaEx LP are required to make a minimum investment of \$100,000, which may be waived in the General Partner's sole discretion. Investors in Arin Large Cap Theta Fund are required to make a minimum investment of \$25,000, which may be waived in the Trust's sole discretion.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

Introduction to Methods of Analysis and Investment Strategies

Our principal methods of security analysis are professional judgment and quantitative analysis. We make an evaluation of available investment opportunities using such measures including, but not limited:

- Arin's team attempts to measure the "fair value" for options prices by "cleaning" the data to account and adjust for several factors: Calendar days vs. business days; Stock specific calendar events; Macro calendar events; underlying asset and option liquidity; Ability to borrow shares for shorts; Term structure; and skew
- ratio of implied volatility to realized volatility;
- the spread between implied volatility to realized volatility ;
- company announcements such as earnings;
- various dividend record and payment dates ;
- volatility curves;
- credit default swap prices;
- market liquidity and trade volumes;
- counterparty credit rating; and
- other factors as deemed necessary, from time to time.

Methods of Analysis

Our firm's basic buy/sell rule for each position centers on a proprietary trading algorithm called True Vol. True Vol is a flexible, combinatory approach to investing. We employ Technical indicators, Observed market prices, Fundamental research, Factor model for risk, and Exposure management. We view positions, portfolios, and aggregate risks in terms of political, economic, and financial exposures. We believe this multi-level approach enables us to create customized overlays for our clients seeking a reasonably assured net after-tax, risk adjusted rate of return with the flexibility to adapt to your needs and market conditions.

In addition to analysis listed above, we may also evaluate your holdings in terms of asset allocation or investment goals. A determination may be made to distribute assets among stocks, bonds, currencies, international assets, real assets, and private investments. We then determine how to gain access to the desired exposure through either the cash market, e.g. stock or derivatives market, e.g. options or a combination of these markets.

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Technical and Charting Analysis** - Technical Analysis involves studying past price patterns and trends in the financial markets to assist in the relative attractiveness of both the overall market and specific assets. Charting analysis involves the gathering and processing of historical information such as prices and trading volumes for a particular asset or relative to another asset or index. We analyze this historical information using certain rules or mathematical equations. The resulting data is then displayed in various types of charts, tables, and equations. We then use this data to assist us in judging the relative value of an asset to itself or any other asset. We may combine a single data point or series of points and measures such as spreads to help us in the decision making process. The risk of technical analysis is that charts and graphs based upon historical information may not accurately predict future price movements. Current prices of securities may already reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy. Past performance is not indicative of future results.
- **Fundamental Analysis** - Fundamental analysis involves analyzing certain financial reports issued by companies and by firms who analyze these reports. These reports include information about the firm's income statement, balance sheet, and statement of cash flow. Additional data includes a review of the firm's customer base, industry status, product line, company's management reputation, and the outlook for the company's industry. The resulting data is used to approximate the value of the company's stock compared to the current market price. The risk of fundamental analysis is that information obtained may be incorrect, incomplete, or not replicated in future reporting periods. These flaws may lead to an analysis that provides an inaccurate estimate of earnings or an inappropriate risk adjusted interest rate to discount the expected, future cash flows, which may be the basis for a stock's value. If securities' prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- **Secular and Cyclical Analysis** - Secular and Cyclical analyses are types of factor model analysis that involves evaluating various inputs for each sector/industry to determine the risk adjusted attractiveness of a certain sector/industry relative to another. Broad economic/business cycle measures also play a role. These measures include interest rate spreads, trade flows, and other macroeconomic datum. The measures may not be predictable and may have many fluctuations between long-term expansions and contractions. The lengths of economic cycles may be difficult to predict with any degree of accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends, even if one was able to capture the correct timing of such a shift.
- **Long Term Purchases** are securities purchased with the expectation that the value derived from those securities either through its income stream (dividends, interest); the growth in its income stream; growth in the valuation multiple assigned to the income stream (P/E ratio expansion), or its pattern of returns (volatility). We generally expect to hold these assets greater than one year.
- **Short Term Purchases** - We may use short-term trading. We generally expect buying and selling these securities within 30 days. If we determine it is suitable given your stated investment objectives and tolerance for risk, we may reduce the holding period for certain trades or engage certain strategies with increased trading activity to generate returns. Short term trading may include frequently buying and selling securities in an attempt to capture the perceived valuation discrepancies within an asset's available securities, between two assets, and/or between an asset and a market based or synthetic index (i.e. a basket of securities like an Exchange Traded Fund or customized grouping). There is no assurance these valuation

discrepancies are actual or they may be based upon information unknown to us. Further, the discrepancy may increase beyond the original point where we recognized the discrepancy which may result in a negative return. Additionally, frequent trading can negatively affect investment performance, particularly through increased brokerage fees and taxation.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your expressed objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, legal constraints, your unique circumstance and other various suitability factors. We realize you may have several investment goals that require simultaneous attention. We may elect to combine all of these objectives across all of your accounts or simply designate certain accounts to specific goals. Your restrictions and guidelines may affect the composition of your portfolio.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised Internal Revenue Service regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Most custodians use the FIFO (First In First Out) accounting method as the default method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will help you alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after the trade settlement date.

Investment Strategies

Bespoke

Arin will assist in targeted trade design and ongoing management to meet a specific client's needs in a manner consistent with the client's risk tolerance and qualification. Examples of this type of trading range from bond replacement, alternative financing facilities, and dividend capture to various types of dispersion and correlation trades. Our fee for Bespoke investment management services range from 0 basis points to 100 basis points or 0% to 1.00% per annum with or without a potential performance fee of up to 50% of the trade's profit. The trade's profit means the net financial benefit to the client on trades in the account for the given period. Trade profit may mean an actual profit to the client, or a cost savings to the client as a result of the trade. Performance fees will only be charged to "Qualified Clients."

Customized Exposure Management (e.g. Single Stock & Portfolio Overlay/Hedge, Asset Replacement, etc.)

Arin will work with most investors as they seek to enhance their portfolio returns, manage their investment risks, or replace their existing risks with other market exposures. We can apply various trading strategies to single assets, broad asset portfolios, or other accounts/assets that have some form of actual or estimated cash flow and referenced underlying asset. At times, the actual asset and the referenced asset are the same, but they need not be. Depending upon the complexity of the mandate and the estimated time involved, our fee for Customized Strategies ranges from 20 basis points to 80 basis points or 0.20% to 0.80% per annum.

Equity Hedge Strategy

Arin's Equity Hedge attempts to limit or reduce the amount of loss an equity investor will experience in the event of a decline in the market value of your equity/stock portfolio. The Arin Equity Hedge does and will have Basis Risk. Basis Risk is the lack of perfect correlation or dollar for dollar offset between your equity portfolio and Arin's hedging portfolio. We try to measure the amount of net market exposure across your portfolio but you realize we may not have real time, complete information for each equity holding. Further, even if we did have perfect clarity, we would find it very difficult to match losses with gains across all market environments. We tend to use options and short sales as the investment tools to help us manage your portfolio under this strategy. Our fee for Equity Hedge is 60 basis points or 0.60% per annum

Enterprise Risk Management

Arin's Enterprise Risk Management ("AERM") is available to investment advisory firms, bank trust departments and representatives, members, shareholders, or employees of these firms. AERM attempts to assist financial advisory firms in protecting their revenue should the capital markets (stock, bond, etc.) significantly decline in value. Many advisors charge their clients a fee based upon the Asset under Management ("AUM"). Should AUM decline, this results in a risk to the investment advisor's revenue. AERM does and will have Basis Risk. Basis risk is the lack of perfect correlation or dollar for dollar offset between the advisory firms' asset/revenue mix and Arin's hedging strategy. We try to measure the amount of net market exposure across advisor's total revenue base but you realize we may not have real time, complete information for every asset from which you derive revenue for your business. Further, even if we did have perfect clarity, we would find it very difficult to match losses with gains across all market environments. We tend to use options and short sales as the investment tools to help us manage accounts under AERM. Our fee for AERM ranges from 2 basis points (you report the risk statistics and levels) to 20 basis points (we calculate risk measures) or 0.02% to 0.20% per annum.

Fixed Income/Interest Rate Hedge

Arin's Fixed Income Hedge attempts to limit or reduce the amount of loss a fixed income investor will experience in the event of a decline in the market value of your fixed income/bond portfolio. The Fixed Income Hedge does and will have Basis Risk. Basis risk is the lack of perfect correlation or dollar for dollar offset between your fixed income portfolio and Arin's hedging portfolio. We try to measure the amount of net market exposure across your portfolio but you realize we may not have real time, complete information for each fixed income holding. Further, even if we did have perfect clarity, we would find it very difficult to match losses with gains across all market environments. We tend to use options, interest rate and/or credit default and/or other swaps and/or swaptions, and short sales as the investment tools to help us manage the interest rate and credit risk under this strategy. Our fee for Fixed Income Hedge is 30 basis points or 0.30% per annum.

General Portfolio Management

Arin's General Portfolio Management will enable you to work with us to guide you towards your specific investment goals. We will assist you in asset class allocation (stock, bond, currencies, etc.), individual security selection, sub advisors/third party money manager allocations (if applicable), as well as performance and risk measurement.

It is vital you keep us aware of changes in your financial outlook and means so we keep your portfolio up to date with your requirements. We may under certain circumstances work with you to create a specific Investment Policy Statement ("IPS"). The IPS will guide the process and allow us to reflect upon our return and risk performance. Our fee for General Portfolio Management is 50 basis points or 0.50% per annum.

Theta Strategies Arin Theta strategies ("Theta") seek to enhance relative return of portfolios that are

benchmarked to a broad market index (e.g. Standard and Poor's 500 Stock Index) by combining either active or passive index exposure with Arin's volatility management.

Large Cap Theta Strategy

For Large Cap Theta accounts, we invest a portion of client assets in securities that track the performance of the U.S. large cap equity market. These securities include Exchange Traded Products (e.g. ETFs), futures contracts or a portfolio of common stocks based on broad-based market indexes, like the Standard & Poor's 500 Index. These securities may also include a group of common stocks that Arin believes will track the performance of large-cap equity market. Securities will be selected based upon their ability to provide exposure to the large-cap equity market with minimal tracking error. The percentage of assets invested in these securities will change from time to time as Arin deems appropriate based on its analysis and allocation models. Arin then uses option trading techniques to derive incremental returns from underlying assets held in the strategy. Arin believes the trades will be profitable due to perceived pricing discrepancies in the options' market. As a matter of investment policy, we will invest, under normal circumstances, at least 80% of net assets, plus borrowings for investment purposes, in a portfolio of securities whose value is based on companies with market capitalizations that qualify them as "large-cap" companies. This policy may be changed without your prior approval. Arin considers a company to be a "large cap" company if its market capitalization falls within the range of market capitalizations of companies included in the Standard & Poor's 500 Index. While Large Cap Theta typically invests in common stocks, ETFs, futures contracts, and call options, it has the ability to invest in other types of equity securities such as preferred stocks and warrants that satisfy Theta's investment criteria. Based on the account's exposure to the large-cap equity market, Arin will trade options to try to take advantage of perceived pricing discrepancies in the options' market. Arin identifies these trading opportunities by analyzing the volatility of contracts tied to the strategy's underlying assets. The time to expiration, presumed dividend payments, level of interest rates, expected return volatility of the underlying/referenced asset during the contract period primarily determine an option contract's price or premium. We attempt to take advantage of differences between the volatility implied by one option's price and that of another option. By analyzing the implied/forecasted volatilities of various option contracts, and comparing them to the implied/forecasted volatilities of a historically correlated security, we attempt to identify situations where one option is relatively overvalued. Arin then may establish a long position in a "cheap" or "fair value" option and a short position by selling the "expensive" option. We may also employ other option trading strategies that may benefit from the relative richness or cheapness of option prices. In selecting the options for Large Cap Theta, Arin first identifies exchange-traded options with a trading volume sufficient to preclude our trades from influencing prices. We then evaluate the available investment opportunities and use Arin's True Vol proprietary pricing algorithm to assist Arin's traders in determining when to buy and sell options. Arin also allocates a portion of client capital to short-term instruments of investment grade quality, including money-market instruments and money-market mutual funds. During certain periods, based on market conditions, Arin may not trade options in a client's account, which would result in performance that track that of the index, less any implementation fees. The fee for Large Cap Theta is 40 basis points or 0.40% per annum.

Large Cap Theta Plus Strategy

For Large Cap Theta Plus accounts, Arin seeks to enhance the performance of the Standard and Poor's 500 Stock Index through both active stock selection and volatility management. Stock selection is performed by third party adviser(s) selected and monitored by Arin. Arin will execute a sub-advisory agreement with a third party adviser to provide the stock selection and respective weightings for each stock position for Arin's Large Cap Theta Plus Strategy. . Arin pays this third party adviser a portion of the fee collected as a result of funds being managed under the Large Cap Theta Plus strategy Arin then uses option trading techniques to derive incremental returns from underlying assets held in the strategy. Arin believes the trades will be profitable due to perceived pricing discrepancies in the options' market. Based on the account's exposure to the large-cap equity market, Arin will trade

options to try to take advantage of perceived pricing discrepancies in the options' market. Arin identifies these trading opportunities by analyzing the volatility of contracts tied to the strategy's underlying assets. The time to expiration, presumed dividend payments, level of interest rates, expected return volatility of the underlying/referenced asset during the contract period primarily determine an option contract's price or premium. We attempt to take advantage of differences between the volatility implied by one option's price and that of another option. By analyzing the implied/forecasted volatilities of various option contracts, and comparing them to the implied/forecasted volatilities of a historically correlated security, we attempt to identify situations where one option is relatively overvalued. Arin then may establish a long position in a "cheap" or "fair value" option and a short position by selling the "expensive" option. We may also employ other option trading strategies that may benefit from the relative richness or cheapness of option prices. In selecting the options Large Cap Theta Plus, Arin first identifies exchange-traded options with a trading volume sufficient to preclude our trades from influencing prices. We then evaluate the available investment opportunities and use Arin's True Vol proprietary pricing algorithm to assist Arin's traders in determining when to buy and sell options. Arin also allocates a portion of client capital to short-term instruments of investment grade quality, including money-market instruments and money-market mutual funds. During certain periods based on market conditions, Arin may not trade options in a client's account, which would result in performance that tracks the performance of the sub adviser's portfolio, less any implementation fees. The fee for Large Cap Theta Plus Strategy is 75 basis points or 0.75% per annum.

VegaEx Strategy

Arin's VegaEx Strategy ("VegaEx") is an actively managed, opportunistic investment program seeking to optimize various volatility or other arbitrage style trading strategies and periodically employs other tactical trading strategies (e.g. dividend capture, merger arbitrage, etc.). VegaEx seeks to exploit relative levels of implied/realized volatility within a given security, between two securities, or between a security or group of securities and an index. **VegaEx net exposures may leave accounts exposed to equity market moves and changes in the overall level of equity market volatility.** VegaEx attempts to reduce the impacts to the strategy from changes in the overall level of equity market volatility. Dynamic hedges and risk-defined option trade structures reduce the directional risk of extreme market moving events. VegaEx is typically appropriate for investors seeking additional sources of return that are unrelated to equity market valuations with higher levels of account variation than a fully hedged options' portfolio. VegaEx seeks to achieve its investment objective by utilizing various trading techniques with a portfolio of long and/or short options, common stocks, fixed income securities, commodities, exchange traded funds ("ETFs"), index related instruments, customized baskets of securities, and short-term instruments.

VegaEx principally involves trading options based on market changes in the implied volatility of each contract. The market price of an option is partially based on the expected volatility, or potential variation in price over time, of its underlying asset. VegaEx attempts to take advantage of differences between the volatility implied by one option's price and that of another option or of the underlying asset. By analyzing the implied/forecasted volatilities of a security, and comparing them to the implied/forecasted volatilities of a historically correlated security, the traders attempt to identify situations where an option on one security is relatively undervalued and an option on the other security is relatively overvalued. VegaEx then takes a long position in the undervalued option and a short position in the overvalued option. Examples of correlated securities include, but are not limited to, stocks issued by companies in the same industry, a stock and an ETF based on a securities index that includes the stock, and ETFs based on indexes that tend to move in the same direction at the same time. The traders will employ different variations of this trading strategy, as well as other comparable trading strategies, that seek to exploit perceived pricing discrepancies in the options' market.

In selecting the options that VegaEx will trade, the traders first identify exchange-traded options with a trading volume sufficient to preclude VegaEx's trades from influencing prices. The traders next

evaluate the available investment opportunities and uses a proprietary trading algorithm to assist them in determining when to buy and sell options. The traders may also create hedges, primarily utilizing options, common stocks, futures and ETFs, in an attempt to offset the risk of extreme price movements in the securities underlying the traded options. Such price movements affect the ability of the traders to implement successfully VegaEx's investment strategy. **VegaEx seeks to maintain exposure levels that may or may not be neutral to market movements and volatility levels.**

The traders also allocate a portion of VegaEx's capital to short-term instruments of investment grade quality, including money-market instruments and money-market mutual funds, when they believe the options' markets offer limited investment opportunities. VegaEx may hold short-term instruments for an extended period while waiting for other attractive investment opportunities. Our fee for VegaEx is 150 basis points or 1.50% per annum plus a 15% (fifteen percent) performance based fee for qualifying accounts.

General Risks

Investing in securities always involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives can or will be met. Past performance is in no way an indication of future performance. We also cannot assure that third parties will satisfy their obligations in a timely manner or perform as expected or marketed.

General Market Risk. Each strategy's value and investment return will fluctuate based upon changes in the value of its portfolio securities. Certain securities held may be worth less than the price originally paid for them, or less than they were worth at an earlier time.

Common Stocks. Each strategy's investments in common stocks, both directly and indirectly through investment in shares of ETFs, may fluctuate in value in response to many factors, including, but not limited to, the activities of the individual companies, general market and economic conditions, interest rates, and specific industry changes. Such price fluctuations subject certain strategies to potential losses. During temporary or extended bear markets, the value of common stocks will decline, which could also result in losses for each strategy.

Trading Strategies based on Volatility. Trading strategies based on volatility, such as realized or implied, are difficult to implement and require successful monitoring, modeling, and sometimes rather immediate interpretation of market conditions. Trading opportunities may be short-lived or limited as a result of a low trading volume in exchange-traded options. Due to a lack of opportunity or market liquidity, there may be extended periods of time in which accounts hold elevated cash balances or experience no trading activity. Transaction costs and taxes can have a significant impact on the profitability of these trading strategies.

Portfolio Turnover Risk. Under normal circumstances, the anticipated portfolio turnover rate for most of Arin's strategies is expected to be more than 100%. High rates of portfolio turnover could lower performance of the strategy due to increased costs and may result in the realization of capital gains. If the strategy realizes capital gains when it sells its portfolio investments, it will increase taxable distributions to you. High rates of portfolio turnover in a given year would likely result in short-term capital gains and under current tax law you would be taxed on short-term capital gains at ordinary income tax rates, if held in a taxable account.

Non-Diversified Strategy Risk. Because some of Arin's strategies are non-diversified, it will invest a greater percentage of its assets in a particular issuer and will own fewer securities than a diversified

strategy. Accordingly, each strategy is subject to the risk that a large loss in an individual issuer will cause a greater loss than it would if the strategy held a larger number of securities or smaller positions sizes.

Model Risk. Financial and economic data series are subject to regime shifts, meaning past information may lack value under future market conditions. Models are based upon assumptions that may prove invalid or incorrect under many market environments. Arin's uses certain model outputs to help identify market opportunities and/or to make certain asset allocation decisions. There is no guarantee any model will work under all market conditions. For this reason, we include model related results as part of our investment decision process but we often weigh professional judgment more heavily in making trades or asset allocations.

ETF Risks, including Net Asset Valuations and Tracking Error. An ETF's performance may not exactly match the performance of the index or market benchmark that the ETF is designed to track because 1) the ETF will incur expenses and transaction costs not incurred by any applicable index or market benchmark; 2) certain securities comprising the index or market benchmark tracked by the ETF may, from time to time, temporarily be unavailable; and 3) supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF. Certain ETF strategies may from time to time include the purchase of fixed income, commodities, foreign securities, American Depositary Receipts, or other securities for which expenses and commission rates could be higher than normally charged for exchange-traded equity securities, and for which market quotations or valuation may be limited or inaccurate. Clients should be aware that to the extent they invest in ETF securities they will pay two levels of advisory compensation – advisory fees charged by Arin plus any advisory fees charged by the issuer of the ETF. This scenario may cause a higher advisory cost (and potentially lower investment returns) than if a Client purchased the ETF directly. An ETF typically includes embedded expenses that may reduce the ETF's net asset value, and therefore directly affect the ETF's performance and indirectly affect a Client's portfolio performance or an index benchmark comparison. Expenses of the ETF may include investment advisor management fees, custodian fees, brokerage commissions, and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF issuer. ETF tracking error and expenses may vary.

Inflation, Currency, and Interest Rate Risks - Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of an investor's future interest payments and principal. Inflation also generally leads to higher interest rates, which in turn may cause the value of many types of fixed income investments to decline. In addition, the relative value of the U.S. dollar-denominated assets primarily managed by Arin may be affected by the risk that currency devaluations affect Client purchasing power.

Futures Risk. Our use of stock index futures contracts creates exposure to leverage and tracking risks because a small investment in futures contracts may produce large losses and futures contracts may not accurately track the underlying securities. Changes in the value of futures contracts may not track or correlate perfectly with the underlying index because of temporary, or even long-term, supply and demand imbalances and because futures do not pay dividends unlike the stocks upon which they are based.

Risks from Purchasing Options. If a call or put option purchased by us is not sold when it has remaining value and if the market price of the underlying security, in the case of a call, remains less than or equal to the exercise price, or, in the case of a put, remains equal to or greater than the exercise price, you will lose its entire investment in the option. There is no assurance that a liquid or "fair" market will exist when we seek to close out an option position. Where a position in a purchased

option hedges a related position, the price of the option may move more or less than the price of the related position.

Risks from Selling Options. Selling or writing option contracts often results in a "short" position (see Short Selling Risk below). A short position can result in losses that substantially exceed your initial investment. Short option positions may also lead to an elevation in the position turnover rate and/or may therefore trigger a higher tax liability. There is no assurance that a liquid or "fair" market will exist when we seek to close out a short option position. This lack of marketability may result in further losses. In cases when we sell an option to hedge against price movements in a related underlying position, the price of the option may move more or less than the price of the related position and not fully hedge the position.

Additional detail on both purchasing and writing options can be found by downloading "Characteristics and Risks of Standardized Options" and related supplements through the OCC (also known as The Options Clearing Corporation) website:

<http://www.optionsclearing.com/about/publications/character-risks.jsp>

Short Selling Risk. When you short sell, your losses can be infinite. A short sale trade loses money when the price of the asset rises. An asset, theoretically, at least, can rise an unlimited amount. Shorting assets often involves using borrowed money. These borrowings may be explicit. This is known as margin trading - see below. When short selling, you must open a margin account, which allows you to borrow money from the broker-dealer firm providing the credit facility. Short squeezes can wring the profit out of your investment. When stock prices go up a short seller's losses get higher, as sellers rush to buy the stock to cover their positions. This rush creates a high demand for the stock quickly driving up the price even further. This phenomenon is known as a short squeeze. Usually, news in the market will trigger a short squeeze, but sometimes traders who notice a large number of shorts in a stock will attempt to induce one. Timing is an additional complication. Even though a company is overvalued, it could conceivably take some time for the price to come back down. In the meantime, you are vulnerable to interest charges, margin calls and other adverse effects.

Correlation Risk. Correlation measures how much one asset moves in connection with another asset. Correlations are typically calculated using historical relationships. There is no assurance the historical relationship will persist. As correlations change, the integrity of hedging and diversification strategies becomes suspect. Your account may buy or sell options based upon a given correlation with an underlying asset(s). This relationship may not hold and can result in adverse financial consequences. Option prices may move more or less than the price of your asset or portfolio. This failure to track your asset or portfolio may result in a loss or greater loss than was expected.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash to prevent a loss, realize an anticipated profit, or otherwise transfer funds out of the particular investment. Generally, investments are more liquid if the investment has an established market of purchasers and sellers, such as a stock or bond listed on a national securities exchange. Conversely, investments that do not have an established market of purchasers and sellers may be considered illiquid. Your investment in illiquid investments may be for an indefinite time, because of the lack of purchasers willing to convert your investment to cash or other assets.

Funding Risk: Certain strategies rely upon access to direct or indirect borrowing and/or third party collateral and/or capital. The market for borrowed funds may be potentially unavailable or greatly reduced. This lack of access to capital may negatively impact certain trading strategies. In addition, rates charged to borrow funds may be significantly elevated which may also result in negative performance. Certain trades may rely on a specified holding period. If the duration of the holding period adjusts to either a longer or shorter period, the results may be negative.

Traditional Margin and Portfolio (risk based) Margin Risk

Under certain conditions and options-based strategy mandates, Arin clients may be required to use "margin" within their securities account(s). Before trading securities in a margin account, clients should carefully review the margin agreement provided by their registered broker-dealer to understand fully the risks involved with trading securities in a margin account. Securities purchased within a client's margin account may be paid for in full or in part with monies borrowed from the broker-dealer. The client must establish a margin account in advance if the client chooses to borrow funds from their broker-dealer. The securities held or purchased in the client's account are the collateral pledged to the broker-dealer for the margin loan.

Under Traditional Margin or Reg T margin, if the securities in the client's account decline in value, this means the collateral supporting the loan declined in value. As a result, the broker-dealer may issue a margin call and/or sell securities or other assets held within the broker-dealer's account in order to maintain the required equity to margin balance ratio, usually fifty percent (50%), in the account.

Portfolio Margin or Risk Based Margin is a margin calculation methodology that sets margin requirements for an account based upon a projected net loss of all positions in a given "security class" or "product group" as determined by the broker-dealer's model using multiple pricing scenarios. Pricing scenarios for options include changes to the inputs to a theoretical options' pricing model, including the underlying price and volatility. The goal of Portfolio Margin is to set levels of margin that more precisely reflect actual net risk. The client may benefit from Portfolio Margin in that margin requirements that are calculated based on net risk are generally lower than alternative "position" or "strategy" based methodologies for determining margin requirements. Lower margin requirements grant the client an opportunity to use more leverage to increase position size or allow the client to post less collateral, or borrow less, than with Traditional Margin calculations. Whereas Portfolio Margin usually permits greater leverage in an account, it may also result in greater losses in the event of adverse market movements. In addition, the time limit for meeting a margin deficiency is shorter with Portfolio Margin, which might cause the margin account to be subject to involuntarily liquidation. Since Portfolio Margin requirements rely on sophisticated mathematical calculations and model specific assumptions/scenarios/outcomes, clients may not be able to predict the size of future margin deficiencies. These models may not accurately capture the amount of potential loss in a portfolio. Such model errors may trigger a margin call in which additional cash or collateral must be delivered to the broker to preserve existing trade positions.

Counterparty Risk

To the extent that client funds are invested in options, swaps, derivative or synthetic instruments, forward contracts, or other over-the-counter transactions (including those with respect to certain equities), the client accepts the credit risk with regard to parties with whom the account trades and may result in performance and/or settlement default. These risks may differ materially from those entailed in exchange-traded transactions. Exchange traded transactions are, in general, backed by clearing organization guarantee, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties may not benefit from such protections and expose the parties to the risk of counterparty default.

Although exchange-traded futures and options contracts are generally backed by a guarantee from a clearing corporation, an account could lose the benefit of a contract in the event that the clearing corporation becomes insolvent or experiences another source of financial distress.

There are also risks involved in dealing with custodians and brokers who settle trades and/or hold your assets. Under certain circumstances, including certain transactions where a client's assets are pledged as collateral for margin, leverage or other forms of loans, or where a client's assets are held at a non-

U.S. broker, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the client and hence the client could be exposed to a credit risk with regard to such assets. In addition, there may be practical or time problems associated with enforcing a client's rights to its assets in the case of an insolvency of a custodian, broker or other party to which assets were pledged or held as collateral. Significant losses incurred by many investors in 2008 in relation to the bankruptcy and/or administration of Lehman Brothers Holdings and its affiliates illustrate the risks incurred in both derivatives trading and custody/brokerage arrangements. There is no certainty that, in the event of a failure of a custodian or broker that has custody of client's assets, the client would not incur losses due to their assets being unavailable for an uncontrollable and unknown period of time, or the client may ultimately fail to recover all of their assets, or be subject to both of these consequences.

Legislative and Tax Risk

Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment advisor or securities trading regulation; change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities; and changes in the tax code that could affect interest income, income characterization and/or tax reporting obligations, particularly for options, swaps, master limited partnerships, Real Estate Investment Trust, Exchange Traded Products/Funds/Securities. Arin does not engage in tax planning, and in certain circumstances a Client may incur taxable income on their investments without a cash distribution to pay the tax due. Clients and their personal tax advisors are responsible for how the transactions in their account are reported to the IRS or any other taxing authority.

Foreign Investing and Emerging Markets Risk - Foreign investing involves risks not typically associated with U.S. investments, and the risks maybe exacerbated further in emerging market countries. These risks may include, among others, adverse fluctuations in foreign currency values, as well as adverse political, social and economic developments affecting one or more foreign countries. In addition, foreign investing may involve less publicly available information and more volatile or less liquid securities markets, particularly in markets that trade a small number of securities, have unstable governments, or involve limited industry. Investments in foreign countries could be affected by factors not present in the U.S., such as restrictions on receiving the investment proceeds from a foreign country, foreign tax laws or tax withholding requirements, unique trade clearance or settlement procedures, and potential difficulties in enforcing contractual obligations or other legal rules that jeopardize shareholder protection. Foreign accounting may be less transparent than U.S. accounting practices and foreign regulation may be inadequate or irregular.

Recommendation of Particular Types of Securities

As disclosed under the "Advisory Business" section in this Brochure, we may elect to recommend all types of securities for various purposes since each client has different needs and different risk tolerance. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Risk can generally be categorized as a permanent and unrecoverable loss of capital or risk can be a statistical measure of how volatile the realized or expected returns are from the portfolio or each individual asset. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Overall, our investment strategies often involve both the cash (stocks, bonds, mutual funds, exchanged traded funds, etc.) and derivatives (options, futures, swaps, etc.) markets depending upon current and expected pricing. We generally consider how each asset will affect the total portfolio we manage for you or in concert with your financial advisor. This may result in certain assets that gain while others lose. We may transact in the cash or derivatives markets to help manage overall risk or to gain/reduce investment exposure on your behalf. We use both exchange traded derivative instruments such as

options, FLEX options (customized but listed on an exchange), futures, etc, as well as over the counter or non-exchange traded instruments such as forwards, swaps, structured notes, and other negotiated derivative contracts. Over the counter or non-exchange traded values may be difficult to secure and may require an estimate that may not reflect of the contract's actual value or credit risk.

A derivative is a security whose price is dependent upon, or derived from, one or more underlying assets or its actual or expected price movements. The derivative itself is merely a contract between two or more parties. Asset's directional movements, the magnitude of those moves, the time during which the moves have or are expected to occur each contribute to determining the contract's value. The value of many contracts is most sensitive to expected fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Most derivatives are characterized by high leverage that can increase the level of risk through a magnification of adverse price action. Derivatives can be used to hedge risk, speculate, or replace an existing/proposed asset exposure.

Item 9 Disciplinary Information

Arin Risk Advisors, LLC has been registered and providing investment advisory services since 2009. Neither our firm nor any of our associated persons has any reportable disciplinary information.

Item 10 Other Financial Industry Activities and Affiliations

Joseph Desipio, an indirect principal owner of our firm, is also a principal of Vector Capital Management, Inc. Vector Capital Management Inc. is a capital markets advisory firm that provides portfolio accounting, valuation services, risk assessment and asset disposition advice.

The common ownership amongst the firms may present a conflict of interest because we have a financial incentive to recommend the services of Vector Capital Management, Inc. While we believe the compensation Vector Capital Management, Inc. charges are competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use its services and may obtain comparable services and/or lower fees through other firms.

The advisory fees charged by our firm are separate and apart from any fees charged by Vector Capital Management. Mr. Desipio spends approximately 5-10 hours per month devoted to the operations of these companies.

As discussed in the Advisory Business section above, we serve as investment adviser to the Arin Large Cap Theta Fund, a registered mutual fund and the VegaEx, LP private pooled investment vehicle.

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

Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. We place our clients' interest first. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. We expect all of our Associated Persons to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and

transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

In addition, we have adopted, and claim *compliance with, the CFA Institute Asset Manager Code of Professional Conduct. The CFA Institute has not verified this claim.*

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Lawrence Lempert, Chief Compliance Officer at 610-822-3402.

Participation or Interest in Client Transactions

We may purchase for clients or recommend that clients invest in the Arin Large Cap Theta Fund, and VegaEx, LP (collectively "Funds"). We act as the investment adviser to the Funds and Associated Persons of our Firm may also have made investments in the Funds and therefore have an incentive to purchase or recommend the Funds for/to clients. We will not include the value of any investments in the Funds when calculating our investment management fees for separately managed accounts.

Personal Trading Practices

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own accounts. We may also combine our orders to purchase or sell securities with your orders to purchase or sell securities ("block trading"). Please refer to the "Brokerage Practices" section in this Brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our firm's policy that we shall not have priority over your account in the purchase or sale of securities.

Item 12 Brokerage Practices

We maintain relationships with several unaffiliated broker-dealers. In cases where we do not have the discretion to determine the broker-dealer used, you are free to choose any broker-dealer or other service provider. We usually recommend that you establish your account with a brokerage firm with which we have an existing relationship. Such relationships may include benefits provided to you and to our firm, including but not limited to, automated trade allocation, research or market information, and administrative services that help our firm manage your account(s). We believe that recommended broker-dealers provide execution services, commissions, borrowing rates, and securities lending rates for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including their trading software, value of their research, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients' and our firm's operational needs. In recognition of the value of research services, additional brokerage products, and services recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those determined solely by price or that may be available elsewhere.

While the receipt of these additional services are not considered "soft dollar" compensation, they are considered to provide a benefit to our firm which means we may have a conflict of interest in directing your brokerage business. We could receive specific benefits by selecting a particular broker-dealer to execute your transactions, and the transaction compensation charged by that broker-dealer might not be the lowest compensation we might otherwise be able to negotiate.

The products and services we receive from broker-dealers will generally be used in servicing all of our clients' accounts. Our use of these services will not be limited to the accounts that paid commissions to the broker-dealer for such services.

For a minority of transactions, we may utilize the brokerage and custodial services of CV Brokerage, Inc. and its related entities. We rent office space from CV Brokerage and also share technological infrastructure and research tools. Additionally, Brenda Smith, the president of CV Brokerage, also provides accounting services to our firm and serves as the Managing Member of VegaEx, LLC which is the General Partner for VegaEx, LP. We may place trades for VegaEx, or other separate accounts with CV Brokerage. Given these facts, we may have an incentive and conflict of interest in utilizing CV Brokerage for brokerage and custodial services. However, we believe that CV Brokerage provides quality services for competitive prices.

Brokerage for Client Referrals

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

Directed Brokerage

If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Moreover, in the case of limitations on the use of "portfolio or risk based margin"; this may keep our firm from effectively managing assets on your behalf.

Thus, when directing brokerage business, you should consider whether the commission expenses, execution, trade clearing and settlement or margin capabilities and rates that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

Block Trades

Whenever possible, we combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then attempt to distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares/contracts purchased (or sold) is typically proportionate to the net liquidation value of the account. For some of Arin's strategies, the distribution of the shares/contracts purchased (or sold) will be proportionate to the existing open or underlying positions in advisory accounts we manage. We do not distribute trades on the basis of the fee arrangements we have in place with accounts. This means accounts with performance based fees are treated in a manner similar to those accounts that pay only a percentage based fee. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm but not invested in accordance with one of our strategies will not participate in block trading with your accounts.

In the event orders are not aggregated, you may receive different prices for the same securities transactions as other clients, you may not be able to buy and sell the same quantities of securities, and you may be charged higher commissions or fees than if orders were aggregated with other clients.

Item 13 Review of Accounts

Investment Management Services

A qualified representative of our firm will monitor your accounts on an ongoing basis and will conduct account reviews at least annually, to ensure that the investment management services provided to you and the portfolio's composition is consistent with your stated investment needs and objectives. Your account may warrant additional reviews based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

Upon request and in cooperation with your custodian we will provide you with reports summarizing account activity and performance. In addition, you will receive trade confirmations, monthly or quarterly statements, and year-end tax statements from your account custodian(s). Several custodians now offer electronic only statement delivery and recall.

Investment Consulting Services

A qualified representative of our firm will review/update your financial plan/analysis or other relevant documents periodically upon your request or as provided in the agreement for services. Such updates/reviews may be subject to additional charges.

Item 14 Client Referrals and Other Compensation

We do not receive direct compensation from any third party in connection with providing investment advice to you. However, please refer to the "Brokerage Practices" section above for disclosures on research and other benefits we may receive resulting from our relationships with various brokers or custodians.

We directly compensate non-employee (outside) individuals and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If a Solicitor introduced you to our firm, you should have received a copy of this Disclosure Brochure along with the Solicitor's Disclosure Statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until our agreement with the Solicitor expires. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We recommend that you ask Solicitors to disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

Item 15 Custody

We may directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your account(s) causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. A bank, broker-dealer, or other independent, qualified custodian holds your funds and securities. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. If applicable, the reports we provide to you also reflect the amount of advisory fee deducted from your account. We also send you an invoice reflecting the advisory fee.

You should compare our reports/invoices with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact Lawrence Lempert, Chief Compliance Officer at 610-822-3402.

Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and/or trading authorization form.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s), the broker-dealer to be used and the commission rates to be paid without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s).

Item 17 Voting Client Securities

Proxy Voting

For individually managed accounts, we will not vote proxies on behalf of your advisory accounts. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we receive any written or electronic proxy materials, we will forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we will forward any electronic solicitation to vote proxies.

For the Arin Large Cap Theta Fund and VegaEx, LP we will determine how to vote proxies based on our reasonable judgment of the vote most likely to produce favorable financial results for the Funds. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of

shareholders. Generally, proxy votes will be cast against proposals having the opposite effect. However, we will consider both sides of each proxy issue.

Conflicts of interest regarding certain proxy issues could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may abstain from voting, or follow the recommendations of an independent proxy voting service.

Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

Item 19 Requirements for State Registered Investment Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

Item 20 Additional Information

Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Lawrence Lempert, Chief Compliance Officer at 610-822-3400, if you have any questions regarding this policy.

Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuits or whether you are eligible to participate in class action settlements or other litigation matters. We do not initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error, except for a trade allocation error, results in a profit, you will keep the profit unless a particular broker-dealer has a conflicting policy.