

**Item 1.       Cover Page**

**Brochure of  
Barrier Capital Management, LLC  
CRD: 312294**

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**December 2024**

This brochure provides information about the qualifications and business practices of Barrier Capital Management, LLC (“**Barrier**”). If you have any questions about the contents of this brochure, please contact us at [investors@barriercap.com](mailto:investors@barriercap.com) or (650) 380-1475. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

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

## **Item 2. Material Changes**

Form ADV 2 is divided into two parts: *Part 2A (the "Brochure")* and *Part 2B (the "Brochure Supplement")*. The Brochure provides information about a variety of topics relating to Barrier's business practices and conflicts of interest. The Brochure Supplement provides information about advisory personnel of Barrier.

### Material Changes

Since our last Brochure filed in May 2024, the only material change has been Christopher Kanand assuming the role of Chief Compliance Officer as of December 2024.

### Future Changes

From time to time, we may amend this Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators.

At any time, you may view the current Brochure on-line at the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching for our firm name or by our CRD #312294. You may also request a copy of this Brochure at any time, by contacting us by email at [investors@barriercap.com](mailto:investors@barriercap.com) or by telephone at 650-380-1475.

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

Barrier is a Delaware limited liability company that has been in business since 2021. It serves as the general partner and investment adviser of an investment limited partnership and may serve as the investment adviser and/or sub-adviser to other accounts including one or more separately managed account clients (“SMAs”) and other private investment funds. Barrier’s manager, controlling owner, portfolio manager, and CCO is Christopher B. Kanand. As of December 31<sup>st</sup>, 2023, Barrier had total discretionary assets under management of approximately \$90,978,600. Barrier only manages assets on a discretionary basis.

Barrier invests principally, but not solely, in equity and equity-related securities that are traded publicly in U.S. and non-U.S. markets on behalf of its clients but is authorized to enter into any type of investment transaction that it deems appropriate under the terms of the client’s partnership or other account agreement.

The investors in the funds that Barrier manages have no opportunity to select or evaluate any fund investments or strategies. Barrier selects all fund investments and strategies.

The investments of an SMA are managed pursuant to the terms of a separate Investment Management Agreement with the SMA (the “**SMA Agreement**”).

Barrier does not participate in wrap fee programs.

Barrier typically does not tailor its services to the individual needs of SMAs, but manages each such account according to the strategy selected by the client. Barrier’s discretionary authority is limited, however, as described in Item 16.

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

Barrier’s fees are negotiable and vary, but typically it charges clients in an investment limited partnership an annual fee of 1.5% of assets under management, which amount is payable in quarterly installments at the beginning or end (depending on the provisions of each client’s partnership or other account agreement) of each calendar quarter based on the net market value of each client’s account on the date the fee accrues and becomes payable. Barrier also typically allocates from each limited partner in an investment limited partnership a performance allocation equal to 17.5% of net profits (including both realized and unrealized gains and losses) otherwise allocable to such limited partner. Barrier charges similar performance fees to other clients, the amounts and calculations of which will be as specifically negotiated by Barrier and those clients. Performance allocations and fees are assessed in arrears on an annual basis, and are only applied to the portion of profits that exceed the cumulative losses previously allocated to or incurred by clients. Barrier reserves the right to waive or reduce the management and performance allocation fees. Barrier complies with Rule 205-3 under the Investment Advisers Act of 1940, to the extent required by applicable law. Performance allocations and fees may create an incentive for Barrier to make more risky and speculative investments than it would otherwise make.

Barrier typically deducts management fees and performance allocations and fees directly from client accounts. Barrier believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees.

Barrier generally receives management fees with respect to its SMAs. Such management fees typically range between an annual rate of .30% to 1% of assets under management (depending on the provisions of each SMAs agreement), which amount is payable in quarterly installments at the beginning or end of each calendar quarter.

In addition, SMAs are charged a performance fee, which is negotiated with each separately managed account client. Such performance fees are typically equal to 20% of the amount that returns of the SMAs outperform an agreed upon benchmark and, in certain circumstances, an additional negotiated rate.

SMAs may elect to be billed directly for fees or may authorize Barrier to directly debit fees from the SMAs account. Barrier negotiates its fees individually with each separately managed account client and the specific fees will be set forth in the SMAs respective advisory agreement.

The disclosure in this Item 5, together with the disclosure in Item 12, allow a plan that is subject to the Employee Retirement Income Security Act of 1974 and that invests in an investment limited partnership of which Barrier is general partner, to use the “alternative reporting option” to report Barrier’s compensation as “eligible indirect compensation” on the Schedule C of the plan’s Form 5500 Annual Return/Report of Employee Benefit Plan.

Relationships with Barrier’s investment partnership clients are terminable on expiration of the partnership’s term, dissolution of the partnership or on Barrier’s withdrawal as general partner. Generally, each limited partner may withdraw from a partnership, on specified prior written notice, on the last day of any calendar quarter that occurs on or after the day preceding the first anniversary of such limited partner’s admission to the partnership.

Except as may be otherwise negotiated in particular cases, the holder of an individually managed account may terminate the account by giving 30 days’ prior written notice.

In all cases, expenses, the pro rata portion of the management fee and the performance allocation or fee through the date of termination are charged to the account. All prepaid but unearned advisory fees are refunded on termination of a client’s account. An investor who withdraws from a fund on a date other than the last day of a quarter, however, does not receive a refund of the management fee previously paid.

Each account is responsible for its own costs and expenses, including trading costs and expenses (such as brokerage commissions, expenses related to short sales, and clearing and settlement charges), ongoing legal, accounting and bookkeeping fees and expenses, and the fees and expenses charged by any fund administrator for its accounting, bookkeeping and other services. Barrier bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above. All or part of these costs and expenses may be paid, however, by securities brokerage firms and futures commission merchants that execute clients’ securities trades, as discussed in Item 12 below.

Barrier and its supervised persons do not receive a brokerage commission or any other compensation attributable to the sale of securities or investment products.

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

Barrier currently manages only accounts that pay performance-based compensation as described in Item 5. It does not manage accounts that do not pay performance-based compensation.

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

Barrier offers investment advice to investment funds and other accounts. Investors in the funds are required to invest a minimum of \$1,000,000, but Barrier may waive this minimum. Barrier generally requires significant minimum investment amounts to open a separately managed account, and establishment of such an account is at Barrier's discretion. Barrier's separate account clients and investors in the funds may include high-net-worth individuals, institutions, families, trusts, foundations, sovereign wealth funds, private or public pension plans and endowments.

Interests in a fund are generally offered pursuant to applicable exemption from registration under the Securities Act and the 1940 Act. In addition, legal eligibility requirements must be met to invest in a fund.

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

### Investment Strategy

Barrier seeks to generate superior long-term performance principally by acquiring equity and equity-related securities of U.S. and non-U.S. companies. Barrier selects securities based on its assessment of their fundamental value relative to their price.

To accomplish its objectives, on behalf of client accounts, Barrier invests in and trades securities consisting principally, but not solely, of equity and equity-related securities that are traded publicly in U.S. and non-U.S. markets. While Barrier expects to initially focus on investing long in securities described in the previous sentence, Barrier also may, as it deems appropriate, invest in options (including covered and uncovered puts and calls and over-the-counter options), futures (including index futures and options on futures), exchange-traded funds, preferred stocks, convertible securities, warrants, rights, swaps and other derivative instruments, bonds and other fixed income securities, private securities, non-U.S. currencies, other commodity interests and money market instruments. Barrier also may engage in short selling, margin trading, hedging and other investment strategies.

The investment strategies summarized above represent Barrier's current intentions, are general in nature and are not exhaustive. There are no limits on the types of securities in which Barrier may take positions on behalf of its clients, the types of positions that it may take, the concentration of its investments or the amount of leverage that it may use. Barrier may use any trading or investment techniques, whether or not contemplated by the expected investment strategies described above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, Barrier may pursue any objectives or use any techniques that it considers appropriate and in clients' interest.

### Risk Factors

Investing in securities involves risk of loss that clients should be prepared to bear. Below are some of the risks that investors should consider before investing in any account that Barrier manages.

Any or all of such risks could materially and adversely affect investment performance, the value of any account or any security held in an account, and could cause investors to lose substantial amounts of money. Below is only a brief summary of some of the risks that a client or an investor may encounter. Potential investors in a fund should review such fund's offering circular carefully and in its entirety, and consult with their professional advisers before deciding whether to invest. The risks described below also generally apply to individually managed accounts. A potential client should discuss with Barrier's representatives any questions that such person may have before opening an account.

- Client accounts may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- Client accounts may be concentrated in securities of technology sector companies, many of which may have micro- to small-sized market capitalizations. Those securities involve substantially higher risks than do investments in securities of non-technology sector and larger companies.
- Barrier has limited operating history on which prospective clients and investors may evaluate its performance.
- Investor sentiment on the market, an industry or an individual stock, fixed income or other security is not predictable and can adversely affect an account's investments.
- An account may hold stocks that disappoint earnings expectations and decline, and may short stocks that beat earnings expectations and rise.
- Barrier may not be able to obtain complete or accurate information about an investment and may misinterpret the information that it does receive. Barrier also may receive material, non-public information about an issuer that prevents it from trading securities of that issuer for a client when the client could make a profit or avoid losses.
- Barrier may take positions in securities of small, unseasoned companies that are less actively traded and more volatile than those of larger companies.
- Barrier may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. Barrier is not obligated to hedge a client's portfolio positions, and it frequently may not do so.
- An account may have higher portfolio turnover and transaction costs than a similar account managed by another investment adviser. These costs reduce investments and potential profit or increase loss.
- Barrier may sell securities short, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase.
- Management and stockholders of an issuer may sue short sellers to prevent short sales of the issuer's securities. Barrier could be subject to such actions, even if they are baseless, and clients could incur substantial costs defending them.

- Barrier may use leverage by borrowing on margin, selling securities short and trading futures, other commodity interests and derivatives, which increases volatility and risk of loss. These instruments can be difficult to value. An incorrect valuation could result in losses.
- Barrier may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.
- Counterparties such as brokers, dealers, futures commission merchants, custodians and administrators with which Barrier does business on behalf of clients may default on their obligations. For example, a client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- Barrier may cause a client to enter into repurchase agreements or reverse repurchase agreements. These instruments can have effects similar to margin trading and leveraging strategies.
- Barrier may cause clients to invest in securities of non-U.S., private and government issuers. The risks of these investments include political risks; economic conditions of the country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.
- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.
- The impact of epidemics and pandemics could greatly affect the economies of many nations including the United States, individual companies, and the market(s). Pandemics may cause extreme volatility and disruption in both the United States and global markets causing uncertainty and risks to economic growth, etc. Health crises caused by the recent coronavirus outbreak may exacerbate other pre-existing political, social, and economic risks in certain countries and globally. Also, pandemics may result, as this outbreak of coronavirus has resulted, in closing borders, enhanced health screening, healthcare service preparation and delivery, quarantines, cancellation of travel, disruptions to supplychains and customer activity, as well as general concern and uncertainty.
- Barrier relies on computer programs, networks, devices and systems (and may rely on new systems and technology in the future) in connection with private funds' investment activities. Barrier has policies and procedures in place to protect such systems and prevent data loss and security breaches. However, such measures cannot provide absolute security. These programs or systems may be subject to certain defects, failures, interruptions or security breaches, including, but not limited to, those caused by computer "worms," viruses, power failures and social engineering schemes such as "phishing," each of which could result in a loss to the private funds. A breach of Barrier's information systems may cause information relating to the private funds' transactions and personally identifiable information of Investors to be lost or improperly accessed, used, or disclosed.



- Barrier may acquire for a client a large position in an issuer's securities but the client nevertheless is unlikely to have any control over the issuer's management. In addition, if Barrier holds a large position in an issuer's securities, it could depress the market for those securities.
- Some of an account's positions may be or become illiquid, in which case Barrier may not be able to sell such positions.
- An account may invest in restricted securities that are subject to long holding periods or that are not traded in public markets. These securities are difficult or impossible to sell at prices comparable to the market prices of similar publicly-traded securities and may never become publicly traded.
- An account's investments may not be diversified. Therefore, a loss in any one position, industry or sector in which a fund has invested may cause significant losses.
- Barrier determines the value of securities and commodities held in client accounts, whether or not a public market exists for such instruments. If Barrier's valuation is inaccurate, it might receive more compensation than that to which it is entitled, a new investor in a fund might receive an interest that is worth less than the investor paid and an investor that is withdrawing assets might receive more than the amount to which the investor is entitled, to the detriment of other investors.
- The client and not Barrier is responsible for any trade errors that Barrier makes in an account, even when the error hurts the client.
- Barrier and its affiliates and agents generally are not responsible to any client or investor for losses incurred in an account unless the conduct resulting in such loss constituted material violations of the applicable agreement, gross negligence, fraud or willful misconduct to the client or investor.
- There is not and will not be an active market for fund interests. It may be impossible to transfer any such interests, even in an emergency.
- A fund may not be able to generate cash necessary to satisfy investor withdrawals. Substantial withdrawals in a short period could force Barrier to liquidate investments too rapidly, and may so reduce the size of a fund that it cannot generate returns or reduce losses.
- A fund may limit or suspend withdrawals of an investor's assets from the fund.
- A fund may establish a reserve for contingencies if Barrier considers it appropriate. Investors may not withdraw or redeem assets covered by that reserve until it is lifted.
- If the assets that Barrier and its affiliates manage grow too large, it may adversely affect performance, because it is more difficult for Barrier to find attractive investments as the amount of assets that it must invest increases.
- No client or investor has been represented by separate counsel. The attorneys who represent Barrier or its manager do not represent clients or investors. Clients and investors must hire their own counsel for legal advice and representation.

- A fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
- Barrier, an administrator or any government agency may freeze assets that any of them believes a client holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. None of Barrier, a fund or an administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.
- A fund may take action with respect to an investor's investment or withdrawal/redemption proceeds as it considers appropriate under relevant legislation and regulations, including but not limited to the Foreign Account Tax Compliance Act, and any associated legislation, regulations or guidance, or similar legislation, regulations or guidance enacted in any jurisdiction that seeks to implement similar tax reporting and/or withholding tax regimes. Failure by an investor to assist a fund in meeting its obligations pursuant to such legislation and regulations may result in pecuniary loss to that investor.
- An audit adjustment to a fund's U.S. tax return for any tax year could result in a tax liability (including interest and penalties) imposed on the fund for the year during which the adjustment is determined.
- The funds do not intend to make distributions, but intend instead to reinvest substantially all income and gain. Therefore, an investor may have taxable income from a fund without a cash distribution to pay the related taxes.
- Federal, state and international governments may increase regulation of investment advisers, private investment funds and derivative securities, which may increase the time and resources that Barrier must devote to regulatory compliance, to the detriment of investment activities.
- Barrier is not registered with the SEC as a broker-dealer or with the Commodity Futures Trading Commission as a commodity pool operator or commodity trading adviser. The equity interests in the funds are not registered under the Securities Act of 1933, and the funds are not registered investment companies under the Investment Company Act of 1940. Barrier believes that none of these registrations is required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations is required, Barrier and any fund could be subject to expensive legal action and potential termination. In addition, investors in the funds do not have certain regulatory protection that they would have if these registrations were in place.
- Barrier's activities could cause adverse tax consequences to clients and investors, including liability for interest and penalties.
- Barrier's activities may cause an account that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.
- If a limited partnership client becomes insolvent, investors may be required to return with interest any distributions and forfeit any undistributed profits.
- Barrier and its affiliates may spend time on activities that compete with a fund without

accountability to investors, including investing for other clients and their own accounts. If Barrier receives better compensation and other benefits from managing other assets or client accounts compared to managing a fund, it has incentive to allocate more time to those other activities. These factors could influence Barrier not to make investments on a fund's behalf even if such investments would benefit the fund.

- Barrier may provide certain investors or clients more frequent or detailed reports, special compensation arrangements and withdrawal rights that it does not provide to other investors or clients.

The above is only a brief summary of some of the important risks that a client or an investor may encounter. Before deciding to invest in a fund that Barrier manages, you should consider carefully all of the risk factors and other information in the fund's offering circular.

## **Item 9. Disciplinary Information**

Barrier has no disciplinary history, such as criminal or civil actions in courts, administrative proceedings of the SEC or other federal or state regulatory agencies, or proceedings with self-regulatory organizations to report.

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

Barrier serves as the General Partner to Barrier Partners, LP (the “**Fund**”), currently the only investment fund managed by Barrier. Barrier also serves as an investment adviser to an SMA client.

Barrier does not recommend or select other investment advisers for clients. However, Barrier may recommend that clients invest in fund advised by Barrier. As the sponsor/investment manager of the Fund, Barrier receives management and performance fees or allocations from the Fund which creates a conflict of interest. All fees will be disclosed to the clients in advance of their investment in a Fund.

Barrier’s employees, affiliates or their related persons may also invest directly in the Fund. In addition, if in the future Barrier manages multiple funds, it may have conflicts of interest in allocating time and resources to such other funds. As a result of the foregoing, Barrier and its personnel may have conflicts of interest in allocating their time and activity between funds, in allocating investments among funds and other entities, and in effecting transactions between fund and other entities, including ones in which Barrier or its personnel may have a greater financial interest. To address these potential conflicts of interests in its material relationships, Barrier has adopted policies and procedures, including a Code of Ethics (the “**Code**”) (as described in *Item 11*). Under the Code, in general, all personnel of Barrier, including directors, officers, and employees of Barrier, must put the interests of Barrier’s clients first and must act honestly and fairly in all respects in dealing with Funds. For a more detailed discussion of the Code and conflicts of interest policies, please see *Item 11*.

Barrier also acts as a commodity pool operator or commodity trading adviser with respect to its clients, but is exempt from registration with the Commodity Futures Trading Commission.

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

Barrier has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, that establishes standards of conduct for Barrier’s supervised persons. The Code of Ethics includes general requirements that Barrier’s supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to comply with the personal trading restrictions described below and periodically to report their personal securities transactions and holdings to Barrier’s Chief Compliance Officer, and requires the Chief Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Chief Compliance Officer. Each supervised person of Barrier receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received those materials. Annually, each supervised person must certify that he or she complied

with the Code of Ethics during the preceding year. Clients and prospective clients may obtain a copy of Barrier's Code of Ethics by contacting [investors@barriercap.com](mailto:investors@barriercap.com).

Any proposed employee transaction involving reportable securities including an investment in a private placement or an initial public offering, requires pre-clearance. It is Barrier's policy that if a conflict arises, the instance will be resolved in the favor of the client to the full extent that is possible given the specific circumstances, and that appropriate measures will be taken to document the issue, add new policies and procedures where relevant, and enforce the matter with all employees of Barrier.

Barrier solicits investors who may or may not be Barrier's clients to invest in its limited partnership clients. Barrier has an incentive to cause a client to invest in a limited partnership instead of an individually managed account because of the reduced expenses and administrative burdens of managing a fund compared to an individually managed account. Barrier's performance compensation from a limited partnership receives more favorable tax treatment than that from an individually managed account and limited partners have less transparency and liquidity than individual account clients. In addition, if a fund investor also has an individually managed account with Barrier that uses an investment strategy that is similar to that of the fund, the investor may use knowledge of the other account's portfolio to decide if and when to make an additional investment or withdraw assets from the fund at times when other fund investors would have made similar decisions had they had similar transparency. Barrier discloses these conflicts of interest to clients and investors.

Because Barrier manages more than one account, there may be conflicts of interest over its time devoted to managing any one account and allocating investment opportunities among all accounts that it manages. For example, Barrier selects investments for each client based solely on investment considerations for that client. Different clients may have differing investment strategies and expected levels of trading. Barrier may buy or sell a security for one type of client but not for another, or may buy (or sell) a security for one type of client while simultaneously selling (or buying) the same security for another type of client. Barrier attempts to resolve all such conflicts in a manner that is generally fair to all of its clients. Barrier may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client so long as it is Barrier's policy, to the extent practicable, to allocate investment opportunities to its clients fairly and equitably over time. Barrier is not obligated to acquire for any account any security that Barrier or its officers, managers, members or employees may acquire for its or their own accounts or for any other client, if in Barrier's absolute discretion, it is not practical or desirable to acquire a position in such security for that account.

## **Item 12. Brokerage Practices**

Barrier has complete discretion in selecting the broker or futures commission merchant that it uses for client transactions and the commission rates that clients pay such brokers and futures commission merchants. In selecting a broker or futures commission merchant for any transaction or series of transactions, Barrier may consider a number of factors, including, for example:

- special execution capabilities;
- willingness to execute related or unrelated difficult transactions in the future; willingness to commit capital; knowledge of buyers and sellers;
- block trading and block positioning capabilities;
- efficiency of execution and error resolution;
- order of call;
- offering to Barrier on-line access to computerized data regarding clients' accounts;
- computer trading systems;
- clearance, settlement and reputation;
- financial strength and stability;
- custody, recordkeeping and similar services;
- quotation services; and
- the availability of stocks to borrow for short trades.

Barrier may also purchase from a broker or futures commission merchant or allow a broker or futures commission merchant to pay for the following (each a "soft dollar" relationship):

- research reports, services and conferences, including third-party research fees;
- economic and market information; portfolio strategy advice; industry and company comments;
- technical data; consultations;
- periodical subscription fees;
- performance measurement data;
- on-line pricing; and
- news wire and data processing charges.

Barrier may receive soft dollar credits based on principal, as well as agency, securities transactions with brokers and futures commission merchants or direct a broker or futures commission merchant that executes transactions to share some of its commissions with a broker or futures commission merchant that provides soft dollar benefits to Barrier.

During Barrier's last fiscal year, it did not acquire products and services with client brokerage commissions or markups. Barrier may allocate the costs of certain computer equipment and software used for both research and brokerage (on the one hand) and non-research and non-brokerage (on the other hand) between their research/brokerage uses and non-research/brokerage uses, and use soft dollars to pay only for the portion that Barrier allocates to research uses.

Barrier has retained certain brokerage firms to serve as some client's prime brokers and custodians. The services that they provide as prime broker and custodian may include providing custody, margin financing, clearing, settlement and stock borrowing in accordance with the terms of the prime brokerage and custody agreements entered into with the client. Barrier receives other

services from them. These services may include: technology services (such as internet access, IT support, Bloomberg connections, wireless networking, email archiving and disaster recovery systems), capital introduction services, portfolio reporting and access to Electronic Communications Networks. The arrangement may be deemed to be a soft dollar arrangement. Barrier expects to use a substantial portion of these services for research and trading on behalf of its clients, but some may be used for administrative purposes, which would not be within the safe harbor of section 28(e). Although many prime brokers and custodians provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, if Barrier did not receive these services from them, Barrier would be required to pay for all or some portion of them. Barrier expects to direct some client securities transactions to them and their affiliates, but is not required to direct a particular number of trades to them or to continue to use them as its client's prime broker and custodian, but it has an incentive to do so based on their prior and continued services.

A client's obligations to those custodians and their affiliates will be secured by way of a first priority perfected security interest over all of the client's assets held in custody by them and their affiliates may transfer to themselves all rights, title and interest in and to those assets as collateral and may deal with, lend, dispose of, pledge or otherwise use all such collateral for their own purposes. If any such transfer occurs, the client will rank as such custodian's (or affiliate's) unsecured creditor. If such custodian or affiliate becomes insolvent, the client may not be able to recover such equivalent securities in full. In addition, the client's cash held by a custodian may not be segregated from such custodian's own cash and, if not so segregated, may be used by such custodian or affiliate in the course of its business and the client will therefore rank as an unsecured creditor in relation thereto.

If any of the client's investments are registered in the name of a custodian or affiliate due to the nature of the law or market practice of a particular jurisdiction, such investments will not be segregated from the custodian's or affiliate's own investments and if such custodian or affiliate becomes insolvent, the client may not be able to recover such equivalent investments in full.

Barrier may select a broker to act as a "trading broker" for a client. In such cases, Barrier or the trading broker may select the executing broker, and the trading broker would then place or manage the order. The trading broker is compensated (through commissions or otherwise) for this trading service in addition to the commissions paid to the executing brokers. As with all soft dollar arrangements, using a trading broker in this manner causes the client to pay brokerage commissions, mark-ups and other transactions fees that are higher than might otherwise be paid if brokers were selected solely based on lowest execution cost. In addition, using a trading broker (rather than an employee of Barrier) to provide those services may allow Barrier to reduce its own personnel expenses.

Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. If Barrier uses commission dollars to pay for products or services that provide administrative or other non-research assistance to itself or its affiliates, such payments may not fall within the section 28(e) safe harbor.

Barrier may pay to a broker or futures commission merchant commissions and mark-ups that exceed those that another broker or futures commission merchant might charge for effecting the same transaction because of the value of the brokerage, research, other services and soft dollar relationships that such broker or futures commission merchant provides. Barrier determines in good faith that such compensation is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, in terms of either the specific transaction or Barrier's overall fiduciary duty to its clients. An account may, however, pay higher commissions and mark-ups than are otherwise available or may pay more commissions or mark-ups based on account trading activity. The research and other benefits resulting from Barrier's brokerage relationships benefit Barrier's operations as a whole and all accounts that it manages, including those that do not generate the soft dollars that pay for such research and other benefits and accounts of clients that direct Barrier to use a broker or futures commission merchant that does not provide Barrier with soft dollar services. Barrier does not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

Barrier's relationships with brokers and futures commission merchants that provide soft dollar services influence Barrier's judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not, and in allocating the costs of mixed-use products between their research and non-research uses. Barrier has an incentive to select or recommend a broker or futures commission merchant based on Barrier's interest in receiving soft dollar services rather than clients' interest in receiving the most favorable execution. These conflicts of interest are particularly influential to the extent that Barrier uses soft dollars to pay expenses it would otherwise be required to pay itself.

Barrier addresses these conflicts of interest by annually evaluating the trade execution services that Barrier receives from the brokers and futures commission merchants that it uses to execute trades for clients. Such evaluation includes comparing those services to the services available from other brokers and futures commission merchants. Barrier considers, among other things, alternative market makers and market centers, the quality of execution services, the value of continuing with various soft dollar services and adding or removing brokers or futures commission merchants, increasing or decreasing targets for each broker or futures commission merchant and the appropriate level of commission rates.

Barrier may aggregate securities sale and purchase orders for a client with similar orders being made contemporaneously for other accounts that Barrier manages or with accounts of its affiliates. In such event, Barrier may charge or credit a client the average transaction price of all securities purchased or sold in such transactions. As a result, however, the price may be less favorable to the client than it would be if Barrier were not executing similar transactions concurrently for other accounts. Barrier may also cause a client to buy or sell securities directly from or to another client, if such a cross-transaction is in the interests of both clients.

Barrier may direct a certain amount of brokerage to a broker or futures commission merchant in return for the broker's or futures commission merchant's referral of prospective clients or investors. Directing brokerage in exchange for client or investor referrals creates a conflict of interest in that Barrier has an incentive to refer its clients' brokerage business to brokers and futures commission merchants to which it might not otherwise direct transactions. During its last fiscal year, Barrier did not direct client transactions to a particular broker or futures commission



merchant in return for client referrals.

If a client directs Barrier to use a specific broker, Barrier has not negotiated the terms and conditions (including, among others, commission rates) relating to the services provided by such broker. Barrier is not responsible for obtaining from any such broker the best prices or particular commission rates. A client that directs Barrier to use a specific broker may not be able to participate in aggregate securities transactions and may trade after such aggregate transactions and receive less favorable pricing and execution. The client may pay higher commissions and mark-ups than it would pay if Barrier had discretion to select broker-dealers other than those that the client chooses.

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

#### **Fund Reporting, Oversight, and Monitoring**

Barrier continuously reviews the Fund's holdings. These reviews focus on appropriateness of investments for the Fund's portfolio and the performance of the Fund. Investors in the Funds generally receive, among other things, a copy of audited financial statements within 120 days after the fiscal year end of the Fund. In addition, investors in the Fund will typically receive unaudited summary financial information regarding their investment in the Fund on a monthly basis.

#### **SMA Reporting, Oversight, and Monitoring**

SMAs are reviewed on a continuous basis, as well as when requested by the client, upon receipt of information material to management of the portfolio, or at any time such review is deemed necessary or advisable by Barrier. Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current valuation) in each account as well as transactions in each account, including fees paid from an account. Barrier will provide additional written reports as needed or requested by the client.

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

Barrier currently does not enter into solicitation or referral agreements.

Barrier does not receive compensation other than the management and performance fees related to its advisory services provided to clients.

### **Item 15. Custody**

Rule 206(4)-2 promulgated under the Advisers Act (the "**Custody Rule**") (and certain related rules and regulations under the Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if Barrier directly or indirectly holds client funds or securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful).

Barrier is required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which it has custody with a qualified custodian. Qualified custodians include banks, brokers, futures commission merchants, and certain

foreign financial institutions.

Rule 206(4)-2 imposes on advisers with custody of clients' funds or securities certain requirements concerning reports to such clients (including underlying Investors) and surprise examinations relating to such clients' funds or securities. However, an adviser need not comply with such requirements with respect to pooled investment vehicles subject to audit and delivery if each pooled investment vehicle (i) is audited at least annually by an independent public accountant and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to their Investors, all limited partners, members, or other beneficial owners within 120 days of its fiscal year-end. Barrier relies upon this audit exemption with respect to the Fund.

The custodian for each SMA is responsible for providing account statements at least quarterly to the client. Each client should carefully review those statements and compare them with the statements that such client receives directly from Barrier, if any.

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

Barrier has discretionary authority to manage investment accounts on behalf of clients pursuant to a grant of authority in each fund's limited partnership agreement or a limited power of attorney in each client's account agreement. Except for Barrier's limited partnership clients, such discretion is limited by the requirement that clients advise Barrier of:

- the investment objectives of the account;
- any changes or modifications to those objectives; and any specific investment restrictions relating to the account.

A client must promptly notify Barrier in writing if the client considers any investments recommended or made for the account to violate such objectives or restrictions. A client may at any time direct Barrier to sell any securities or take such other lawful actions as the client may specify to cause the account to comply with the client's investment objectives.

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

Barrier decides whether to vote proxies on behalf of each account over which Barrier has proxy voting authority after considering whether the proposal will have a material effect on the account's investment strategy. This analysis typically leads Barrier to not vote proxies. In determining whether a proposal serves an account's best interests, Barrier considers a number of factors, including:

- the proposal's economic effect on shareholder value;
- the threat that the proposal poses to existing rights of shareholders;
- the dilution of existing shares that would result from the proposal;
- the effect of the proposal on management or director accountability to shareholders; and
- if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

Barrier abstains from voting proxies when Barrier believes that it is appropriate to do so.

If a material conflict of interest over proxy voting arises between Barrier and a client, Barrier will vote all proxies in accordance with the policy described above. If Barrier determines that this policy does not adequately address the conflict of interest, Barrier will notify the client of the conflict and request that the client consent to Barrier's intended response to the proxy solicitation. If the client consents to Barrier's intended response or fails to respond to the notice within a reasonable time specified in the notice, Barrier will vote the proxy as described in the notice. If the client objects in writing to Barrier's intended response, Barrier will vote the proxy as the client directs.

A client can obtain a copy of Barrier's proxy voting policy and a record of votes cast by Barrier on behalf of that client by contacting Barrier.

**Item 18. Financial Information**

Barrier is not required to include a balance sheet for its most recent financial year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients and has not been the subject of a bankruptcy petition at any time during the past ten years.