

**Item 1. Cover Page**

**SPRING LAKE ASSET MANAGEMENT, INC.**

3214 West Parkland Blvd.  
Tampa, Florida 33609  
(813) 336-6889

Part 2A of Form ADV: Firm Brochure  
March 2019

This brochure (the “Brochure”) provides information about the qualifications and business practices of Spring Lake Asset Management, Inc. (referred to herein as the “Adviser”) If you have any questions about the contents of this brochure, please contact David Thomas at (917) 242-4881. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about the Adviser is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2. Material Changes**

This section of the Brochure addresses “material changes” that have taken place since the last annual update and will be posted to the SEC’s public disclosure website (IAPD). The Adviser’s last annual update took place in March 2017. The following material changes took place since the last annual update:

- The Adviser’s regulatory assets under management has been updated in Item 4 of this Brochure.

Pursuant to SEC Rules, the Adviser will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of the Adviser’s business’ fiscal year. The Adviser may further provide other ongoing disclosure information about material changes as necessary.

Currently, the Adviser’s Brochure may be requested by contacting Mr. David Thomas, the Adviser’s Chief Compliance Officer at (917) 242-4881.

Additional information about the Adviser is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser.

### Item 3. Table of Contents

<b><u>Description</u></b>	<b><u>Page</u></b>
Item 1. Cover Page.....	1
Item 2. Material Changes.....	2
Item 3. Table of Contents.....	3
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation.....	4
Item 6. Performance Based Fees and Side by Side Management.....	5
Item 7. Types of Clients and Minimum Requirements.....	5
Item 8. Method of Analysis, Investment Strategies and Risk of Loss.....	5
Item 9. Disciplinary Information .....	14
Item 10. Other Financial Industry Activities and Affiliations .....	14
Item 11. Code of Ethics, Interest in Client Transactions and Personal Trading.....	14
Item 12. Brokerage Practices .....	15
Item 13. Review of Accounts.....	16
Item 14. Client Referrals and Other Compensation.....	16
Item 15. Custody .....	16
Item 16. Investment Discretion.....	16
Item 17. Voting Client Securities.....	16
Item 18. Financial Information .....	17
Item 19. Requirements for State Registered Advisers .....	17

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

The Adviser is a Delaware corporation co-founded by Tom Caldwell and Chris Crosby in 2014. Adviser is wholly-owned by Mr. Caldwell, Mr. Crosby, and Ms. Kaitlin Briscoe.

The Adviser serves as manager and provides investment advisory services to pooled investment vehicles called Spring Lake Unconstrained Municipal Opportunities Fund, LLC, a Delaware limited liability company, and investment vehicle called Spring Lake Unconstrained Municipal Opportunities Fund II, LLC, a Delaware limited liability company, and sponsors a feeder fund, SLAM Investments, a company incorporated in the Cayman Islands with limited liability, which invests substantially all of its assets in Spring Lake Unconstrained Municipal Opportunities Fund, LLC and Spring Lake Unconstrained Municipal Opportunities Fund II, LLC (each individually a “Fund”, and collectively, the “Funds”). The Funds are exempt from registration under the Investment Company Act of 1940, as amended, and their securities are not registered under the Securities Act of 1933, as amended (the “1933 Act”). The Funds seek to maximize total return by actively pursuing relative value opportunities in the taxable and tax-exempt municipal bond markets. Adviser’s services are provided to the Funds pursuant to the terms of the Funds’ respective offering documents and operating agreements (collectively, “Governing Documents”).

The Adviser provides investment advisory services to the Funds in accordance with their Governing Documents. Investment advice is provided directly to the Funds and not individually to the investors in the Funds. Any restrictions on investments in certain types of securities are set forth in the Funds’ offering documents received by each Fund investor prior to investment. Once invested in the Funds, investors cannot impose restrictions on the types of securities in which the Funds may invest.

As of December 31, 2018, the Adviser managed approximately \$1,114,191,485 in assets, all on a discretionary basis.

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

As compensation for investment advisory services rendered to the Funds, Adviser receives an annual management fee (“Management Fee”) equal to 1.50% of the Funds’ assets. The Management Fee is deducted directly from the Funds’ assets as of the last day of each calendar quarter. Adviser may, in its discretion, waive all or a portion of the Management Fee in respect of any investor in the Funds.

In addition to the Management Fee, the Funds bear their own offering and operating expenses, including annual audit expenses, fees and expenses of the Funds’ third-party administrator, tax preparation expenses, ongoing legal expenses, portfolio brokerage expenses, including fees and expenses of the Funds’ prime broker, commissions and dealer spreads, settlement costs, and borrowing costs (such as interest). Please see Item 12, below, for additional information regarding brokerage practices. The Funds also pay all of their taxes, the costs associated with perfecting an interest in a security held by the Funds or the assertion of creditors’ rights, the costs of disputes with dealers, the costs of litigation (or defending threats of litigation) involving the Funds, indemnification, and other extraordinary expenses.

Additionally, please see Item 6, below, regarding performance-based compensation that the Funds may pay to Adviser.

## **Item 6. Performance Based Fees and Side by Side Management**

As further described in the Funds' Governing Documents, the Adviser, or its affiliate, is entitled to a performance allocation from the Funds equal to 20% of the appreciation of each Fund investor's capital account as of the end of each calendar year that exceeds a 5% "hurdle" return ("Performance Allocation"). These Performance Allocations are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Adviser may, in its sole and absolute discretion and from time to time, elect to waive, in whole or in part, the Performance Allocation with respect to any Fund investor or, with the consent of the affected investor, charge a Performance Allocation on different terms, all without the consent or approval of, or notice to, any unaffected Fund investors.

Performance-based fees or compensation, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee-paying clients over other clients in the allocation of investment opportunities. To address these conflicts of interest, the Adviser has implemented policies and procedures to ensure that the Funds and any potential future clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities.

Please see the Funds' Governing Documents for more information about this performance allocation.

## **Item 7. Types of Clients and Minimum Requirements**

Adviser currently provides investment services to the Funds. Investment advice is provided directly to the Funds and not individually to the Funds' investors.

The Funds' interests are currently offered solely to investors who are "accredited investors" within the meaning of Regulation D under the 1933 Act and who are "qualified clients" within the meaning of Rule 205-3 under the Advisers Act.

The current minimum initial investment in the Funds is \$1,000,000. However, Adviser may, in its sole discretion, permit investments that are less than this minimum.

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

### ***Methods of Analysis and Principal Investment Strategies***

Adviser employs a value-oriented, "bottom-up" investment approach to identify attractive investments among the full range of taxable and tax-exempt municipal bonds. In selecting municipal bonds for the Funds, Adviser uses its skills to determine credit quality, analyze structural features, and evaluate current pricing and trading opportunities. The Funds invest in municipal securities that Adviser believes are inefficiently priced and possess attractive total return potential relative to their credit risk. Adviser may also employ a "top-down" approach designed to exploit market price anomalies that may be caused by temporary variables such as significant changes in new issue supply or market sentiment. Adviser seeks to diversify the Funds' portfolio across the municipal markets

by investing in varied municipal sectors and by investing in municipal securities across the spectrum of credit quality, ranging from high grade to below investment grade securities. Adviser relies on its portfolio management team's extensive experience analyzing high yield and special situation municipal bonds to evaluate opportunities. Although the percentage that Adviser allocates to non-investment grade securities varies depending on the supply of non-investment grade municipal bonds and the credit spread between investment grade securities and non-investment grade securities, the Funds will not invest more than 40% of its total assets, measured at the time of purchase, in non-investment grade securities, which are commonly known as "junk bonds."

As a hedge against interest rate risk and market exposure, the Funds may, but are not required to, engage in hedging strategies, such as short sales of U.S. Treasuries or U.S. Treasury futures contracts. These hedging strategies will increase the Funds' exposure to the underlying security disproportionately to the amount of premium, margin or other amount of the Funds' assets actually invested therein, which may be considered leverage. The Funds may also purchase and sell Municipal Market Data Rate Locks ("MMD Rate Locks"), generally as a hedge or for duration or risk management purposes. In addition, the Funds may enter into credit default swaps ("CDSs") to hedge credit risk.

The Funds may borrow funds from brokerage firms in order to increase the amount of capital available for investment (*i.e.*, invest on margin). The amount of these borrowings the Funds may have outstanding at any time will be a function of market opportunities, though is expected to be less than 300% of the value of the Funds' net assets.

The Funds invest primarily in municipal securities and engages in active trading of these securities. Municipal securities generally are bonds issued by states and local governments and their agencies, authorities and other instrumentalities. The types of municipal bonds that the Funds may invest in include, without limitation, general obligation bonds, special revenue bonds, private activity bonds, tax increment financing (TIF) bonds, and municipal leases. Municipal bonds are subject to risks generally associated with fixed income securities (*e.g.*, interest rate risk, credit risk, change in rating risk, etc.). The Funds may also invest in other fixed income securities including obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities; corporate bonds; Rule 144A securities; exchange-traded funds ("ETFs") and open- or closed-end funds that primarily are fixed income oriented; debt obligations of for-profit corporations and non-profit entities; and money market instruments. The Funds' securities may have all types of interest rate payments and reset terms, including fixed, variable, floating or adjustable rates, zero coupons, and contingent, deferred or put features. The Funds expect to invest at least 80% of their assets in municipal securities and securities focused on municipal investments, excluding any assets used for hedging purposes.

The Funds will not purchase restricted securities that are subject to legal or contractual restrictions on resale or that cannot be disposed of in the ordinary course of business. Rule 144A securities, nonrated securities and other securities determined to be liquid by the Adviser are not included in this limitation.

### **Adviser's Philosophy.**

Adviser bases its investment philosophy on the belief that careful security selection and active portfolio risk management provide superior results over the long term. Adviser seeks to construct the Funds' portfolio using a disciplined investment approach to select what Adviser

believes are attractive securities primarily from the municipal fixed income universe. Adviser focuses on bottom-up security selection with credit, structure, liquidity and price as the foundation of analysis.

Adviser believes that numerous inefficiencies exist in the municipal bond market. These inefficiencies are created by a variety of factors, including the large number of municipalities issuing bonds, the varied sectors, the high level of retail participation, strong seasonal tendencies, erratic flows from mutual fund investors, the preference of certain market participants for highly rated securities and their proclivity to use a “buy and hold” strategy. Adviser will use an active, total return approach to identify and invest in the resultant opportunities.

Adviser believes that its emphasis on security selection, coupled with its hedging strategies, will result in low correlation returns versus traditional bond benchmarks. Adviser believes that not being beholden to a benchmark provides greater flexibility to pursue value opportunities. The Funds seeks to outperform traditional bond and high yield municipal bond alternatives in all market cycles with low correlation versus other asset classes.

- **Sector/Security Selection.** Adviser employs a relative value strategy to identify securities that it believes are mispriced. Securities are subjected to rigorous credit analysis and are evaluated based on credit, structure and price. Adviser seeks to build a portfolio of municipal securities having a range of credit qualities, structures and durations in an attempt to reduce volatility. Security selection includes a mix of anticipated holding periods. Some ideas may focus on short- term price inefficiencies while others may focus on deep value stories that often only play out over the longer term.
- **Duration.** The Funds may invest in fixed income securities of any maturity or duration. Duration means the average time to receipt of expected cash flows (discounted to present value) on a particular fixed income instrument or a portfolio of instruments. Duration takes into account the pattern of a security’s cash flows over time, including how cash flows are affected by prepayments and changes in interest rates. Typically, the longer an investment’s duration, the more sensitive the value of the investment is to shifts in interest rates. The effective duration of the Funds’ total portfolio is expected be to less than 12 years under normal circumstances. The Funds may employ hedging strategies designed to mitigate the effect of interest rates on their portfolio securities.
- **Quality.** Adviser has expertise in high yield and special situation municipal bonds which it believes will enable Adviser to exploit relative value opportunities across the credit spectrum. Through careful credit analysis, Adviser seeks to identify investment grade bonds and lower (or non-rated) bonds that it believes offer significant upside potential. Risk adjusted performance is a tenet of Adviser.
- **Diversification.** Adviser seeks to diversify the Funds by investing in varied municipal sectors across the credit quality spectrum. Under normal circumstances, the Funds do not intend to invest more than 20% of their total assets (determined at the time of investment) in securities of any one obligor, other than securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities or money market securities. The Adviser may overweight positions that it believes have the best risk and return characteristics. Sectors typically will be diversified depending

on the Adviser's valuation judgments while considering the risk reduction benefit of expected negative correlations.

Depending on market conditions, the Adviser may maintain a high level of cash reserves in order to meet redemption requests or as a source of liquidity for new purchases.

- **Hedging.** Adviser may employ various hedging strategies designed to reduce interest rate and/or market risk. For example, the Funds may borrow U.S. Treasury securities from a broker and sell them (short). In normal markets the price movements of municipal bonds and Treasury securities are highly correlated. By entering into opposing transactions (short U.S. Treasuries versus long municipal bonds), the value of the Treasury hedge is expected to mitigate price movements in the municipal holdings.
- **Leverage.** Purchasing securities on margin involves leverage. The ability to use leverage will provide greater flexibility for the Funds to take advantage of market opportunities, such as forced liquidations by mutual funds. Adviser may use leverage to take advantage of opportunities in the municipal market. The use of leverage will be determined by the availability of attractive investment opportunities along with market conditions and the Funds' ability to borrow on margin.
- **Derivatives.** The Funds may use derivatives for hedging purposes. The primary derivative transactions in which the Funds may invest are as follows:
  - **Short sales.** Short sales are transactions where one of the Funds sells a security it does not own by borrowing the security in anticipation of purchasing the same security at the market price at a later date to close out the short position. The Fund will realize a gain if the price of the security declines between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund will realize a loss if the price of the security increases between those dates, which loss theoretically is unlimited because the potential increase in the market price of the security sold short is unlimited. To borrow a security, the Fund will be required to post collateral which involves leverage and increases Fund expenses by the amount of interest paid on borrowed funds.
  - **Futures Contracts.** U.S. Treasury futures contracts are contracts to buy or sell U.S. Treasuries at a predetermined future date and at a price agreed through a transaction undertaken on an exchange. The Funds may invest in futures contracts to hedge against interest rate risk or market risk arising in their portfolios.
- **Credit Default Swaps.** The Funds may enter into CDS transactions to protect against a negative credit event related to a particular bond issuer or group of issuers. In a CDS transaction, one of the Funds, acting as "protection buyer," makes periodic payments to the other party, the "protection seller," in exchange for the protection seller's contractual obligation to make a payment to the Fund if a negative credit event (such as a delinquent payment or default) occurs with respect to the referenced bond or group of bonds. The Fund will not act as protection seller with respect to CDSs.



## ***Risks of Loss***

Investing in securities and other instruments involves a substantial degree of risk. The Funds may lose all or a substantial portion of their investments, and Fund investors must be prepared to bear the risk of a complete loss of their investments in the Funds.

- **Risks Associated with Investments in Securities Generally.** Any investment in securities carries certain market risks. The value of the Funds' investments will fluctuate, and there is no assurance that the Funds will achieve their investment objective. The profit (or loss) derived from the Funds' investment transactions consists of the price differential between the price of the securities purchased and the value ultimately realized from their disposition, plus any interest received during the period that the securities are held, less transaction costs, if any. If the securities do not increase in value as anticipated, the Funds may sell them without a gain or at a loss.
- **Municipal Securities Risk.** Municipal bonds are subject to risks generally associated with fixed income securities (*e.g.*, interest rate risk, credit risk, change in rating risk, etc.). Investing in municipal securities involves certain risks, including the risk that local politics or economic and business developments may adversely affect the yield or value of the Funds' investments in municipal securities. The amount of public information available about municipal securities is generally less than that for corporate bonds, and the investment performance of the Funds may therefore be more dependent on the analytical abilities of Adviser than would be the case for a general taxable bond fund. The secondary market for municipal securities, particularly below investment grade bonds, also tends to be less well-developed or liquid than many other securities markets, which may adversely affect the Funds' ability to sell their bonds at attractive prices or at prices approximating those at which the Funds value them on a current basis.

The ability of issuers of municipal securities to make timely payments of interest and principal may be diminished during general economic downturns and as governmental cost burdens are reallocated among federal, state and local governments. In addition, laws enacted in the future by Congress or state legislatures or referenda could extend the time for payment of principal and/or interest, or impose other constraints on enforcement of such obligations, or on the ability of municipal issuers to levy taxes. Congress or state legislatures may seek to extend the time for payment of principal or interest, or both, or to impose other constraints upon enforcement of such obligations. For example, from time to time proposals have been introduced before Congress to restrict or eliminate the federal income tax exemption for interest on municipal securities. Also, from time to time proposals have been introduced before state and local legislatures to restrict or eliminate the state and local income tax exemption for interest on municipal securities. Similar proposals may be introduced in the future. If any such proposal were enacted, the value of municipal securities held by the Funds may fall.

Issuers of municipal securities might seek protection under the bankruptcy laws. In the event of bankruptcy of such an issuer, the Funds could experience delays in collecting principal and interest and the Funds may not, in all circumstances, be able to collect all principal and interest to which they are entitled. To enforce their rights in the event of a default in the payment of interest or repayment of principal, or both, the Funds may take possession of, and manage, the assets securing the issuer's obligations on such securities, which may increase the Funds' operating expenses. Any income derived from the Funds' ownership or operation of such assets may not be tax-exempt. Litigation may also materially affect the ability of an issuer to pay principal and interest when due.

- **Risks Associated with Investments in Fixed Income Securities Generally.** Fund investors could lose money on their investment, or the Funds could fail to generate current income, if any of the following occur:
  - Interest rates go up, causing the value of the Funds' investments to decline. This is known as interest rate risk. Interest rate risk is generally greater for longer-term fixed-income securities.
  - The issuer of a security owned by the Funds defaults on its obligation to pay principal and/or interest or the price declines substantially due to a credit rating downgrade or other event. This is known as credit risk.
  - During periods of declining interest rates, the issuer of a security exercises its option to prepay principal earlier than scheduled, forcing the Funds to reinvest in lower yielding securities. This is known as call or prepayment risk.
  - During periods of rising interest rates, the average life of certain types of securities may extend because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk.
  - Adviser's judgment about the attractiveness, risk adjusted total return, relative value or potential appreciation of a particular sector or security proves to be incorrect.

To the extent the Funds invest in fixed income securities with effective maturities of 10 years or more, they face increased risk of price fluctuations because prices of fixed income securities with longer effective maturities are more sensitive to interest rate changes than those with shorter effective maturities.

- **U.S. Government Securities Risk.** The U.S. Government guarantees timely payment of principal and interest on certain U.S. Government securities, however, not all U.S. Government securities are backed by the full faith and credit of the U.S. Government. It is possible that the U.S. Government would not provide financial support to certain of its agencies or instrumentalities if it is not required to do so by law. If the Funds invest in a security issued by a U.S. Government agency or instrumentality that subsequently defaults, and the U.S. Government does not stand behind the obligation, the value of the Funds' interests and/or the Funds' yield could fall.

- **Mortgage-Related Securities Risk.** Mortgage-related securities include pass-through securities, municipal housing securities, and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. The value of some mortgage- securities may be particularly sensitive to changes in prevailing interest rates or the credit quality of the underlying assets. Early repayment of principal on some mortgage-related securities may expose the Funds to a lower rate of return upon reinvestment of principal. When interest rates rise, the value of a mortgage- related security generally will decline; however, when interest rates are declining, the value of mortgage-related securities with prepayment features may not increase as much as other fixed income securities. The value of these securities may fluctuate in response to the market's perception of the creditworthiness of the issuers. These securities may also possess credit risk. Because the assets providing cash flows to these securities are comprised of home mortgage loans, the holders are subject to default and delinquency risks. If mortgage borrowers are delinquent or default on their payments, the holders may not realize full repayment of their investment or may experience delays in the repayment of their investment. The credit risk of these securities depends, in part, on the likelihood of the borrower paying the promised cash flows of principal and interest on time. The credit risk of a specific security may be influenced by a variety of factors including: (i) the mortgage borrower's lessened ability to repay in light of changed circumstances such as a job loss; (ii) the borrower's ability to make higher mortgage payments which may result from floating-rate interest resets; (iii) declines in the value of the property which serves as collateral for the mortgage loan; and (iv) seniority or priority of the specific securities relative to other claims on the cash flow from the pool of mortgage loans.
- **Junk Bond Risk.** A substantial portion of the Funds' portfolio may be invested in securities rated below investment grade. Securities of below investment grade quality are regarded as having predominantly speculative characteristics with respect to the issuer's ability to pay interest and to repay principal when due, and are commonly referred to as "high yield" securities or "junk bonds." These securities have historically experienced greater default rates than investment grade securities and their prices are generally more volatile and sensitive to actual or perceived negative developments, such as a decline in the issuer's revenues or general economic downturn, than are prices of higher grade securities. The retail secondary market for junk bonds may be less liquid than that for higher rated securities and adverse conditions could make it difficult or impossible at times for the Funds to sell certain high yield securities or could result in lower prices than those used in calculating the Funds' net asset value. An economic downturn, a period of rising interest rates or increased price volatility, could adversely affect the market for junk bonds and reduce the number of buyers should the Funds need to sell these securities. Should an issuer declare bankruptcy, the Funds could

also lose its entire investment.

- **Derivatives Risks.** A small investment in derivatives could have a potentially large impact on the Funds' performance; certain gains or losses could be amplified, increasing movements in the share price of the Funds. The use of derivatives involves risks that may be different from the risks associated with investing directly in the underlying securities, including the risk that changes in the value of a derivative held by the Funds may not correlate with the Funds' other investments. The low margin or premiums normally required in derivative transactions may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.
  - **Short Sales.** The Funds may engage in short-selling. Short positions are inherently more risky than long positions because the Funds do not own the security being sold and must borrow the security in anticipation of purchasing the same security at the market price at a later date to close out the position. The Funds will realize a loss if the price of the security increases between those dates. This loss is theoretically unlimited because the potential increase in the market price of the security sold short is not limited. Thus, short selling offers the potential for limited gains but unlimited losses. Any gain from short selling will be decreased, and any loss will be increased, by the amount of any payment, dividend or interest that the Funds are required to pay with respect to the borrowed securities. Under adverse market conditions, the Funds may have difficulty purchasing securities to cover their short sale delivery obligations and may be required to sell other portfolio securities quickly, and not for fair value, in order to raise the capital necessary to meet their short sale obligations. Short selling may involve leverage because the Funds are exposed both to changes in the market price of the security sold short and to changes in the value of the securities purchased with the proceeds of the short sale. Short selling is also subject to extensive regulatory oversight and limitations, which may prevent the Adviser from selling a security short at a price or time that would be advantageous to the Funds.
  - **Futures Contracts Risks.** The Funds may trade in futures contracts (and related options) on securities indices and U.S. Government securities, a practice which may involve substantial risks. There is no assurance that a liquid secondary market will exist for futures contracts (or related options) purchased or sold, and the Funds may be required to maintain a position until exercise or expiration, which could result in losses. Futures positions may be illiquid because, for example, most U.S. commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on

various commodities or financial instruments occasionally have moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Funds from promptly liquidating unfavorable positions and cause them to be subject to substantial losses. In addition, the Funds may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and related options are highly specialized activities that may entail greater than ordinary investment or trading risks.

- Credit Default Swaps Risk. The purchase of CDSs involves costs, which will reduce the Funds' return. When purchasing a CDS contract as the protection buyer, the Funds will only realize income on the CDS in the event of an actual default of the issuer(s) of the bond (or, as applicable, a credit downgrade or other indication of financial instability). Thus, there is a risk that the CDS would expire worthless. Purchasing CDSs also involves the risk that the protection seller may fail to satisfy its payment obligations to the Funds in the event of default.
- **Leverage & Trading on Margin.** The Funds employ leverage through margin trading. The Funds' use of leverage increases their exposure to the asset classes and investment strategies described in this brochure and the Funds' offering documents. The Funds will experience losses if the returns of the securities purchased with borrowed funds fail to cover the cost of the borrowings. In addition, if Adviser's judgment about the performance of certain investments proves incorrect while the Funds' exposure to the underperforming investments is increased through the use of leverage, a relatively small market movement could lead to significant losses to the Funds. To trade on margin, the Funds will be required to deposit cash, government securities or other securities with their clearing broker as margin against their margin purchases of securities. A decline in the market value of Fund assets pledged to the clearing broker may result in the broker initiating a "margin call" (*i.e.*, requiring a pledge of additional assets to reestablish the ratio of the amount of the borrowing to the value of the collateral). The Funds may be required to liquidate holdings in adverse market conditions in order to satisfy the margin requirements of their clearing broker. A sudden drop in the value of the Funds' assets coupled with corresponding margin calls could force the Funds to liquidate holdings quickly, and not for fair value, in order to pay off their borrowing, which could lead to significant losses to the Funds.
- **Municipal Market Data Rate Locks.** Investing in MMD Rate Locks involves the risk that municipal yields will move in the opposite direction than anticipated by Adviser, which would cause the Funds to make payments to their counterparty in the transaction that could adversely affect the Funds' performance.
- **Possibility of Increased Government or Market Regulation.** The 2008 credit crisis and resulting market disruptions have led to increased governmental, as well as self-regulatory, scrutiny of the markets in general. It is impossible to predict what, if any,

changes in regulations will result from these developments, but any regulations which restrict the ability of the Funds to employ, or broker and other counter-parties to extend, credit in their trading (as well as other regulatory changes which result) could have a material adverse impact on the profit potential of the Funds.

**Item 9. Disciplinary Information**

There are no legal or disciplinary events that are material to an evaluation of the Adviser's advisory services or the integrity of management. Specifically, neither the Adviser nor any of its related persons have been a party to a criminal or civil action in a domestic, foreign or military court, been a party to an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority or been a party to a self-regulatory proceeding in the past ten years.

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

The Adviser does not have any other financial industry activities or affiliations, and exclusively provides investment advisory services to the Funds.

**Item 11. Code of Ethics, Interest in Client Transactions and Personal Trading**

**Code of Ethics**

Adviser has adopted a written Code of Ethics that is applicable to all of its officers and employees, as well as to every natural person (whether or not an employee of Adviser) who is subject to Adviser's supervision and control who (i) has access to nonpublic information regarding the Funds' purchase or sale of securities, (ii) who is involved in making securities recommendations to the Funds, or (iii) who has access to securities recommendations to the Funds that are nonpublic (collectively, "Adviser Personnel"). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers Act, establishes guidelines for, among other things, professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with Adviser's Chief Compliance Officer, as required under Rule 204A-1 under the Advisers Act. The Code of Ethics is designed to help Adviser detect and address potential conflicts of interest.

A copy of the Code of Ethics is available to any client or prospective client upon request.

**Participation or Interest in Client Transactions and Conflicts of Interest**

Adviser Personnel engage in a broad range of investment activities for their own accounts. Adviser Personnel have invested in the Funds directly. Adviser Personnel may also from time to time sell or hold positions for their personal accounts in securities that may also be held or have been or will be purchased or sold for the Funds. These transactions could create a conflict of interest, and are thus subject to the policies and procedures set forth in Adviser's Code of Ethics. For example, Adviser and Adviser Personnel are forbidden from selling securities directly to, or purchasing securities directly from, the Funds.

Please see the Funds' offering documents for additional information about conflicts of interest.

## **Item 12. Brokerage Practices**

### **Best Execution**

Adviser has sole discretion over the Funds' purchase and sale of investments (including the size of the transactions) and the broker or dealer to be used to effect securities transactions. In selecting broker-dealers and/or counterparties to execute portfolio transactions, Adviser's primary objective is to obtain the overall best combination of price and execution under the particular circumstances. Best price, giving effect to brokerage commissions, if any, and other transaction costs such as markups or markdowns, if any, are the primary criteria Adviser uses when selecting brokers. Adviser favors brokers-dealers who exhibit the ability to effect trades that most closely conform to Adviser's price expectations. Adviser also takes into account the quality of services received, including such factors as execution capability, willingness to commit capital, financial stability, and clearance and settlement capability.

Municipal securities are typically purchased from the issuer or a broker-dealer acting as a principal on a net basis (*i.e.*, the spread between the bid and offer prices), so brokerage commissions are uncommon. Fixed income securities may also be purchased in public offerings from underwriters at prices that include underwriter commissions and fees.

### **Soft Dollar Arrangements**

The term "soft dollars" generally refers to arrangements where an investment adviser uses client brokerage commissions to pay for research and other services to be used by the adviser. Adviser currently has no such arrangements with any broker-dealer under which it causes the Funds to pay higher commissions (or markups/markdowns) than those charged by other broker-dealers in return for research or other soft dollar benefits.

However, the broker-dealers through which Adviser executes Fund transactions may provide Adviser with certain research reports, at no cost to Adviser, which Adviser uses to assist it in overall investment decision-making for the Funds. To the extent Adviser receives free research reports from broker-dealers, Adviser is benefited in that it is not required to produce or pay for this research. Adviser does not consider the receipt of this research in selecting a broker-dealer, and has no arrangement with any broker-dealer to direct transactions to the broker-dealer in return for research.

While there is no specified number or amount of transactions that must be executed with a particular broker-dealer for Adviser to receive these research reports, Adviser could still be perceived as having an incentive (and thus a conflict of interest) to select broker-dealers for Fund transactions based on the research reports received rather than based on the Funds' interest in receiving the most favorable execution. To address these conflicts of interest, Adviser has implemented policies and procedures which it believes adequately address these potential conflicts of interest.

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

#### *Oversight and Monitoring*

The Funds' investments are continuously reviewed by Tom Caldwell, Chris Crosby, and Kaitlin Briscoe, the Adviser's Chief Executive Officer, President, and Portfolio Manager respectively.

#### *Reporting*

Fund investors receive (i) no later than 120 days after the end of each fiscal year (or as soon thereafter as is reasonably practicable) audited annual financial statements of the Funds; and (ii) within 90 days after the end of each fiscal year (or as soon thereafter as is reasonably practicable), such tax information as is necessary for the investor to prepare and file U.S. federal income tax returns. Adviser may from time to time, in its sole discretion, provide additional information relating to the Funds to one or more investors in the Funds as Adviser deems appropriate.

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

No person or entity other than the Funds provides an economic benefit to Adviser for providing investment advice or services. Currently, Adviser does not directly or indirectly compensate any non-supervised person for client referrals.

### **Item 15. Custody**

The Funds' qualified custodian may provide account statements directly to the Funds. As noted in Item 13 above, Fund investors will receive annual financial statements audited by an independent public accounting firm registered with the Public Company Accounting Oversight Board (PCAOB). Fund investors are urged to carefully review these statements. However, individual Fund investors will not receive account statements from the Funds' custodian.

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

The Adviser provides discretionary investment advisory services directly to the Funds pursuant to the terms of the Funds' Governing Documents. Investment advice is provided directly to the Funds and not individually to Fund investors. The Funds' investment restrictions are set forth in the Funds' Governing Documents.

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

Because of the nature of the Funds' investments, the Funds are not generally presented with proxies to vote. However, Adviser has authority to vote proxies on behalf of the Funds, and will cast any such votes in the best interests of the Funds taking into account such factors as it deems relevant in its sole discretion. Adviser believes that it is in the best interests of the Funds to cast votes in a manner designed to maximize the economic value of the Funds' portfolio. Adviser has adopted a proxy voting policy designed to ensure that any material conflicts of interest in connection with a proxy vote are identified and that the vote is not improperly influenced by the conflict.

Fund investors may request information about how the Funds voted proxies, if any, and a copy of the Adviser's proxy voting policies upon written request to Adviser.



**Item 18. Financial Information**

The Adviser does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.

**Item 19. Requirements for State Registered Advisers**

Item 19 is not applicable to Adviser.