

Part 2A of Form ADV: *Firm Brochure*

Proprietary Capital, LLC

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1/11/12

This brochure provides information about the qualifications and business practices of Proprietary Capital, LLC. If you have any questions about the contents of this brochure, please contact us at 303-575-9084 or hburroughs@prop-cap.com. 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 Proprietary Capital, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

This brochure contains material changes since our last annual update, which was dated May 31, 2011. Specifically, this brochure has been amended to reflect Bryan Roche's decision, as of January 2012, to step away from the day-to-day operations of Proprietary Capital, LLC in order to spend more time with his family and to attend to certain family matters. Although Mr. Roche will no longer be involved in the day-to-day operations, he will remain on the company's investment committee and serve as a board member for the Lynx Fund I (Offshore), Ltd.

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Item 4 Advisory Business

Proprietary Capital, LLC (“Proprietary Capital” or the “Firm”) is a SEC-registered investment adviser with its principal place of business located in Colorado. Proprietary Capital, LLC was founded in 1997 by Craig A. Cohen and Bryan C. Roche. Please note that SEC registration does not imply a certain level of skill or training.

The Firm is currently managed by founder and managing partner Craig A. Cohen who is also the principal owner of the Firm.

Proprietary Capital’s Advisory Services

Proprietary Capital manages private investment funds (“Hedge Funds”) and individually managed accounts (“Advisory Accounts”). Proprietary Capital’s investment activities focus primarily on investing in mortgage-related securities, their derivatives and financial instruments linked to mortgage-related securities. Information about each Hedge Fund may be found in its offering documents. Proprietary Capital’s active hedge funds are The Lynx Fund I (Master Fund), LP, The Lynx Fund I, LP (the onshore feeder), The Lynx Fund I, Ltd. (the offshore feeder), Proprietary Capital Macro Series Fund—Series A, LLC and Proprietary Capital Macro Series Fund—Series C, LLC.

References to “client” in this brochure include only Hedge Funds and Advisory Accounts, and do not include Hedge Fund investors. Copies of this brochure, however, will be voluntarily provided to Hedge Fund investors.

As noted above, Proprietary Capital provides customized management services to two Advisory Accounts. We manage these Advisory Accounts on a discretionary basis. Advisory Account supervision is guided by the stated objectives in the governing investment management agreements. Our investment recommendations are limited by these agreements and generally include advice regarding one or more of the following types of investments:

- Mortgage-related securities
- United States governmental securities
- Futures contracts on intangibles
- Other derivatives as may be appropriate

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client’s stated investment objectives, tolerance for risk, liquidity and suitability.

As of 1/11/12, Proprietary Capital managed \$ 532,000,000 of client assets on a discretionary basis and no assets on a non-discretionary basis.

Item 5 Fees and Compensation

Fees for Hedge Funds

The compensation each Hedge Fund pays Proprietary Capital is set forth in each Fund's offering documents. Fee arrangements include a combination of a management fee and incentive fee.

Management Fees: Proprietary Capital charges each Hedge Fund a fee for account management that is calculated and paid as a percentage of the assets under management. The Management Fee is calculated at an annual rate of 1.0%. Fees are calculated on a quarterly basis, and, depending on the Hedge Fund, are payable in advance or arrears based on the value of the account(s) as of the beginning of each billing period. The Management Fee is prorated for periods less than a full billing cycle and adjusted to cover any additional contributions made during that period.

Incentive Fees: Proprietary Capital receives performance-based compensation ("Incentive Fee") from each Hedge Fund. The Incentive Fee is calculated based on a percentage of the net profits of the accounts on an annual basis.

Proprietary Capital's incentive fees range between 15% and 20% of the net profits above the account's previous "high water mark". To the extent that the amount of account appreciation is less than the high water mark, there is a loss carryforward allocation that must be recouped before Proprietary Capital is entitled to a performance-based fee. In some cases, prior to calculating the performance allocation, the total return amount is further adjusted to reflect the positive return in excess of a fixed minimum return.

Each Hedge Fund will pay or reimburse Proprietary Capital for certain organizational, operational and other permissible expenses as described in the offering documents for each Hedge Fund. These permissible expenses generally include broker's commissions and related transaction costs, organization costs, custody, legal, audit and accounting fees and other nonrecurring and extraordinary expenses. From time-to-time, Proprietary Capital may pay for certain of these expenses out of its own assets. Proprietary Capital generally seeks reimbursement of these expenses directly from the Hedge Funds on a cost reimbursement basis only. The Hedge Funds pay no interest or carrying charges associated with expense payments made on their behalf by Proprietary Capital.

Certain of the fees payable to Proprietary Capital are based on the value and performance of the assets held in the Hedge Funds. Proprietary Capital has adopted and implemented valuation policies which govern the pricing of the securities and other assets held by the Hedge Funds. The valuation policies generally provide that liquid investments will be valued at readily ascertainable market values. In the case of assets that lack such a readily ascertainable market value, valuation policies may require Proprietary Capital to determine a value for these investments in accordance with the terms of the policy or a formulaic calculation may be used to determine the value. Proprietary Capital faces a conflict of interest in valuing assets that lack a readily ascertainable market value, because their value can impact certain of the fees payable to Proprietary Capital and its performance returns. With

respect to these investments, Proprietary Capital uses various valuation methodologies based on the nature of the assets as set forth in the valuation policies. These methodologies are inherently subjective and capable of producing a range of values that may be considered reasonable to different parties and that may be different than valuations done by others applying their own judgment at different or similar dates. There is no assurance that the valuations determined by Proprietary Capital represent values that can or will be realized in a sale or exchange of investments with an independent third party. Proprietary Capital documents its valuation decisions and reviews them on a periodic basis. On an annual basis, Proprietary Capital's valuations are reviewed in connection with each Hedge Fund's independent external audit.

Proprietary Capital reserves the right to waive any fees or compensation payable to it at any time it deems appropriate in its sole discretion.

Fees for Advisory Accounts

Fee arrangements include a combination of a management fee and an incentive fee. The terms and conditions of the fee structure are mutually agreed upon prior to entering into an investment management agreement. Advisory Accounts are billed for fees incurred.

Certain of the fees payable to Proprietary Capital are based on the value and performance of the assets held in the Advisory Accounts. Proprietary Capital provides each Advisory Account and its administrator supporting information concerning the valuation of the assets. The final valuation of assets shall be determined by the third party administrator of the Advisory Account.

Management Fees: Proprietary Capital charges each Advisory Account either a management fee calculated and paid as either a percentage of the assets under management, or a flat fee. The management fee is calculated at an annual rate of 1.0% or as a flat quarterly fee as set forth in the investment management agreement. Calculated fees are determined by the Advisory Account's administrator on a monthly basis and are payable monthly in arrears based on the value of such account as of the beginning of each billing period. Flat fees are payable quarterly in arrears.

Incentive Fees: Proprietary Capital receives performance-based compensation ("Incentive Fee") from each Advisory Account. The Incentive Fee is calculated based on a percentage of the net profits of the Advisory Accounts on an annual basis or upon the realization of the investment mandate or the termination and/or revocation of the investment management agreement.

Proprietary Capital's incentive fee for an Advisory Account is 10% of the net profits above such account's previous "high water mark". To the extent that the amount of Advisory Account appreciation is less than the high water mark, there is a loss carryforward allocation that must be recouped before Proprietary Capital is entitled to a performance-based fee. In some cases, prior to calculating the performance allocation, the total return amount is further adjusted to reflect the positive return in excess of a fixed minimum return.

Clients who elect to terminate their contracts will be charged a performance-based fee based on the performance of the Advisory Account for the measuring period going back from the termination date and pro-rated from the date on which the performance-based fee was last assessed.

GENERAL INFORMATION

Termination of the Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of advance written notice. Notice may vary depending on the client's advisory agreement. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

Additional Fees and Expenses: In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers. Further, each Hedge Fund will bear its own operating and other expenses, including securities brokerage commissions and related transaction costs; interest payable on the Fund's audit, legal and accounting fees; directors' fees; and regulatory and filing expenses. Please refer to the "Brokerage Practices" section (Item 12) for additional information.

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

PERFORMANCE-BASED FEES

Each Hedge Fund and Advisory Account provides for the payment of performance compensation to Proprietary Capital. The performance compensation arrangements for certain of the Hedge Funds and Advisory Accounts are different. For example, Proprietary Capital receives performance-based fees at different rates for certain of the Hedge Funds and Advisory Accounts.

In measuring the client's assets for the calculation of performance-based fees, Proprietary Capital may receive increased compensation with regard to unrealized appreciation as well as realized gains in the client's account. Performance-based fee arrangements may create an incentive for Proprietary Capital to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts that use a similar investment strategy but charge a lower performance-based fee rate (known as "side-by-side management"). This incentive could cause an investment adviser to allocate the "best" investment opportunities only to the higher-fee account and the better-executed trades to the higher fee account.

Proprietary Capital believes that this conflict is mitigated by its investment allocation procedures (as described in Item 12 below).

Item 7 Types of Clients

Proprietary Capital provides advisory services to the Hedge Funds and institutional investors through the Advisory Accounts. Investors in the Hedge Funds may include high net worth individuals and a variety of institutional investors (e.g. trusts, endowments, foundations, corporations and other types of entities, including private funds-of-funds) meeting the terms of the exceptions and exemptions under which the Hedge Funds operate and in accordance with the Hedge Funds' investment objectives. Investors must meet the requirements for "qualified purchasers" under the Investment Company Act of 1940, as amended (the "1940 Act") due to the Hedge Funds' exempt status. Employees who qualify as "knowledgeable employees" under 1940 Act Rule 3c-5 are also permitted to invest (directly or indirectly) in the Hedge Funds.

Proprietary Capital has established certain minimum account requirements to maintain an Advisory Account, based on the nature of the services being provided. Generally, a minimum initial investment of \$50,000,000 is required for an Advisory Account. Further, a minimum of \$1,000,000 of assets under management is required for investment in a Hedge Fund. Minimum account balances and investments may be waived at the discretion of Proprietary Capital.

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

METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Fundamental Analysis. We attempt to measure the intrinsic value of a security by looking at economic and financial factors such as prepayment rates (an unscheduled repayment of principal by the homeowner), interest rates, the housing market and other economic factors affecting the mortgage industry.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security.

Cyclical Analysis. In this type of technical analysis, we measure the movements of the mortgage-related securities market against the overall market in an attempt to predict the price movement and yield of the security. Proprietary Capital relies on various in-house analytical tools to forecast prepayment levels in analyzing mortgage-related securities and also uses a model designed to assess the impact of future interest rate changes on securities prices.

Other: Proprietary Capital has access to various databases of regional price indices, which are used to monitor regional housing trends. In addition, we maintain an extensive database of historical prepayment statistics. We use these databases when constructing and monitoring a portfolio of mortgage-related securities.

We must continually evaluate a significant number of factors when constructing and monitoring a portfolio, such as economic and interest rate trends, the condition of the housing

market, and changes in prepayment rates. There is always a risk that our analysis may be compromised by inaccurate or misleading information.

INVESTMENT STRATEGIES

In pursuing clients' investment strategies, Proprietary Capital mainly utilizes fixed income securities known as mortgage-related securities. These securities directly or indirectly represent interests in mortgage loans secured by real property. These securities can be issued or guaranteed by the United States government or one of its agencies or instrumentalities, such as Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, or they can be issued by private issuers that represent an interest in or are collateralized by other mortgage-related securities. Mortgage-related securities include pass-through certificates, collateralized mortgage obligations, and stripped mortgage-backed securities. These securities can be held for greater than one year (long-term purchases) or less than one year (short-term purchases), depending on numerous factors, including the client's objective.

In employing investment strategies, Proprietary Capital, in its discretion, can employ certain hedging strategies in an attempt to "hedge" or "neutralize" the market risk associated with positions in a client's portfolio. The instruments that are used when employing these hedging strategies include various derivative instruments, such as options, futures, interest rate swaps, interest rate caps and other derivative securities. In the event Proprietary Capital does attempt to partially or fully hedge a portfolio, certain hedging techniques could be unsuccessful and cause the portfolio to incur a loss.

Many of the mortgage-related securities in which Proprietary Capital invests are not readily marketable, and are deemed illiquid. In the absence of an established trading market, Proprietary Capital will value such investments in good faith at each time the net asset value of a client's portfolio is determined. Accordingly, if a client's portfolio includes investments where reasonable prices are not readily available through third party pricing, the net asset value of the portfolio will be based in significant part on the valuations placed on portfolio assets by Proprietary Capital with reference to comparable securities. Further information regarding our Valuation Policy is set forth in Item 5.

The investment strategy is designed with the potential to produce investor returns under a wide range of economic scenarios. However, there is no assurance that this objective will be achieved or that significant losses will not be incurred. There are various substantial risks associated with this investment strategy. There are many market-related and other factors--some of which cannot be anticipated--that could cause the loss of a major portion of an investment. No person should invest in securities unless he is fully able, financially and otherwise, to bear such a loss, and unless he has the background and experience to understand thoroughly the risks of his investment.

INVESTMENT RISKS

The returns realized under this investment strategy will be affected by many factors, including the following:

No Guarantee of Investment Performance. Proprietary Capital cannot guarantee that its stated investment objectives will be achieved or that positive or competitive investment returns will be achieved. We cannot control market, regulatory, and other factors which affect performance. Advisory Account clients and Hedge Fund investors bear the risk that they could lose a portion or all of their investment.

Non-Diversification and Sector Concentration. Investments, at times, are concentrated in those investment sectors that exhibit the most favorable risk-return characteristics and as such will maintain high exposure to concentrated risk factors.

Complex and Derivative Securities. Investments include complex mortgage derivatives that are issued or guaranteed by the United States government or one of its agencies or instrumentalities, such as, Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("FNMA") or Federal Home Loan Mortgage Corporation ("FHLMC"), are issued by private issuers that represent an interest in or are collateralized by securities issued or guaranteed by the United States government, its agencies or instrumentalities, or are issued by private issuers that represent an interest in or are collateralized by whole loans or mortgage derivatives without a government guarantee such as FNMA ("Fannie Mae"), FHLMC ("Freddie Mac") (each U.S. Government Sponsored Enterprises). Such securities are, by nature, illiquid and difficult to value in declining markets. We may employ leverage in the purchasing of mortgage-backed derivatives. Additionally, the instruments themselves may be leveraged. For mortgage derivatives and structured securities that have imbedded leverage features, small changes in interest or prepayment rates may cause large and sudden price movements.

Duration and Prepayment Risk. Duration is the primary measure of risk within fixed-income securities. Duration measures the approximate price sensitivity of a security to a one percent (1%) rise or fall in interest rates. For example, all else being equal, if interest rates rise by 1%, a security with a duration of 3 would expect its share price to decline by about 3%; conversely, if interest rates fall by 1%, a security with a duration of 3 would expect to see about a 3% rise in price. The duration of many of the securities that we invest in can be significantly longer than traditional fixed income securities. Proprietary Capital seeks to manage duration risk; however, changing conditions and perceptions, including market fluctuations, may modify an obligation's duration and, independently, have other adverse or positive effects on the value of a security.

Prices of fixed income securities with longer effective maturities are more sensitive to interest rate changes than those with shorter effective maturities. Although the stated maturity of a mortgage-backed security is typically 30 years, current prepayment rates are critical in determining such security's interest rate risk. In these situations, Proprietary Capital relies upon analytical techniques, such as modeling monthly principal and interest payments based upon historical experience or comparing the mortgage rates underlying the security to prevailing market rates to determine such security's "effective duration." The determination of effective duration typically will involve our judgments and assumptions of future prepayments. Such judgments and assumptions may change, sometimes materially, with changes in market interest rates.

Because mortgage prepayments generally increase when interest rates are declining, mortgage-backed securities may have more or less potential for capital appreciation in periods of falling interest rates than other fixed income securities of comparable duration, although these securities have comparable risks of decline in market value in periods of rising interest rates. To the extent that mortgage-backed securities are purchased at a premium by a client, an increase in mortgage prepayments may result in some loss of principal investment to the extent of the premium paid and to the extent of the opportunity lost on the higher interest income.

Capital Risk. We invest in interest-only securities ("IOs"). IO's receive only interest on the remaining balance of a security and do not receive any principal. Therefore, there is the possibility that the original investment of an IO will not be returned by the time the security expires. The longer the period of time in which the underlying bond has principal outstanding, the longer the security continues to pay interest. If interest rates fall significantly, there is the potential that the remaining balance will decrease at a pace where the initial investment will not be recouped. Proprietary Capital seeks to manage interest-only risk by combining securities with offsetting/complementary characteristics.

Interest Rate Risk. The value of fixed-income securities generally can be expected to fall when interest rates rise and to rise when interest rates fall. Interest rate risk is the risk that interest rates will rise, so that the value of a client's investments in fixed-income instruments will fall. Because interest rate risk is the primary risk presented by U.S. government and other very high quality bonds, changes in interest rates may actually have a larger effect on the value of those bonds than on lower quality bonds.

Economic Risk. Changes in economic conditions, including, for example, interest rates, inflation rates, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely a client's performance results.

Investment Competition. The market for some types of securities is highly competitive. We will be competing for investment opportunities with a significant number of financial institutions, other private funds as well as various institutional investors. Many of these competitors are larger and have greater financial, human and other resources than our clients and may in certain circumstances have a competitive advantage over a client. As a result of this competition, there may be fewer attractively priced investment opportunities, which could have an adverse impact on our ability to meet an investment objective.

Borrowing and Leverage. The Hedge Funds or Advisory Accounts may borrow money to invest in additional securities. This practice significantly increases market exposure and risk. When money is borrowed money for leverage and investments increase or decrease in value, a client account's net asset value will increase or decrease more (possibly by multiples, depending upon the degree of leverage employed at such time) than if it had not borrowed money. In addition, the interest that must be paid on borrowed money will reduce the amount of any potential gains or increase any losses.

Volatility of Securities Markets. Securities prices may be volatile, and securities price movements are influenced by many unpredictable factors.

Illiquid Securities. We may invest in securities which are not readily marketable. As such, we may find it difficult to readily dispose of illiquid investments in the ordinary course of business. In addition, a premature or forced liquidation of a client's holdings is likely to depress the value of many of these securities. Illiquid investments may not have an established trading market. In the absence of an established trading market, Proprietary Capital will, in its sole discretion, value such investments in good faith at each time a client account's net asset value is determined. Accordingly, if a significant amount of client assets are invested in illiquid investments, their net asset value will be based in significant part on the valuations determined by Proprietary Capital without reference to an established market for such investments.

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10 Conflicts of Interest and Other Financial Industry Activities and Affiliations

Craig Cohen, managing partner of Proprietary Capital, is a registered representative of Financial West Group, a registered broker-dealer. Proprietary Capital does not have a business relationship with Financial West Group. Neither Proprietary Capital nor Mr. Cohen use Financial West Group for advisory client transactions. Mr. Cohen maintains his status as registered representative in order to provide brokerage services to himself, ~~his~~, his immediate family and close friends.

Proprietary Capital serves as the general partner or investment manager of and investment adviser to the Hedge Funds set forth in Item 4. Additionally, we serve as administrator to Proprietary Capital Macro Series Fund—Series A, LLC and receive a fee for such services that is in addition to the management and incentive fees described in Item 5. All such services and the amounts paid to Proprietary Capital are disclosed in the financial statements of the Hedge Fund.

Certain conflicts of interest related to Proprietary Capital's management of the Hedge Funds are addressed in Item 6. Additionally, our role as administrator to a Hedge Fund creates a conflict of interest because our selection as administrator, as well as the setting of our compensation for such services, was not the result of arms-length negotiation.

Proprietary Capital has procedures addressing the allocation of investment opportunities and the execution of client trades that are designed and implemented to ensure that all clients are treated fairly and equally over time and that no client is systematically disadvantaged. Such procedures are generally described in Item 12.

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

Our firm has adopted a Code of Ethics (the “Code”) which sets forth high ethical standards of business conduct that we require of our employees. The Code, which includes our policies relating to conflicts of interest, confidentiality, the receipt of gifts and entertainment, personal trading and reporting, and insider trading, is intended to assist employees in carrying out their duties as fiduciaries to clients. Employees must report any violations of the Code to the Chief Compliance Officer. The Code also provides for a range of sanctions that may be applied to employees who violate the Code.

A copy of our Code of Ethics is available to clients and prospective clients. You may request a copy by email sent to hburroughs@prop-cap.com, or by calling us at 303-575-9084.

We permit our employees to engage in the trading of securities for their personal accounts. . Because we permit such personal trading, this creates the conflict that employees could use their knowledge of pending client transactions in an attempt to benefit their own personal transactions. For example, if an employee owns a security the employee knows Proprietary Capital will be selling out of client accounts, the employee could sell the personal holding ahead of time in an effort to obtain a higher price than might exist after the client account holdings are sold.

As a practical matter, this conflict does not really exist for us due to the nature of the securities we trade in client accounts (primarily mortgage-related securities) and the low volume of our trading. Also preventing manipulative behavior is our requirement that all personal trades in mortgage-related securities be executed through Mr. Cohen, who is aware of client investment transactions. As a general matter, employee transactions in the same mortgage-related securities held in client accounts are typically combined with the client transactions in such securities and are executed together on identical terms. Additionally, the Code requires that our employees put client interests first and avoid actual or potential conflicts of interests when transacting in securities for their own accounts. The Code also requires employee reporting of personal securities transactions and our Chief Compliance Officer to review such reports.

Proprietary Capital and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Item 12 Brokerage Practices

We do not have any soft-dollar arrangements and do not receive any soft-dollar benefits.

We have no obligation to deal with any particular broker-dealer in the execution of transactions in portfolio securities. In placing orders with broker-dealers for client accounts, Proprietary Capital’s primary objective is the ability of the broker-dealer, in our opinion, to secure prompt execution on favorable terms, including the reasonableness of the commission considering the state of the market at the time. While Proprietary Capital generally seeks reasonably competitive commission rates, we do not necessarily pay the lowest commission

or mark-up. The specific factors considered in selecting a broker-dealer to effect client transactions include our knowledge of transaction costs, the nature of the security being traded, the size of the transaction, the desired timing of the trade, the activities existing and expected in the market for the particular security, the financial stability of the broker-dealer, and the execution, clearance and settlement capabilities of the broker-dealer.

It is Proprietary Capital's policy to allocate suitable investment opportunities fairly and equitably to clients with the same or similar investment objectives over time. A security will be suitable for a client if it is consistent with the investment objectives, strategies and risk tolerance of the client and is permitted in accordance with investment restrictions and limitations. Other factors used in determining suitability for a particular client include: available cash, net exposure to a particular holding, issuer or market sector, duration target, credit risk limitations, dollar price, and risk-reward.

Where a security is otherwise suitable (after consideration of the foregoing factors) for more than one client account but is not large enough to allocate to multiple portfolios in order to maintain large enough liquid trading lots, Proprietary Capital will allocate the security based on a priority schedule determined by the inception date of the client accounts for which the investment is suitable. With respect to such a transaction, it is Proprietary Capital's policy to allocate the investment based on seniority of the client relationship, e.g., the oldest accounts get priority. The inception dates for the client Hedge Funds are as follows: The Lynx Fund – July 1997; Macros Series C – September 2009 inception date and Macro Series A – January 2011. As a result, if an investment is suitable for The Lynx Fund and a client account with a later inception date, the investment will be allocated completely to the Lynx Fund if the investment is not large enough to allocate to both. Similarly, if an investment is suitable for Macro Series A and a client account with an earlier inception date, the investment will be allocated completely to the client account if the investment is not large enough to allocate to both. Currently, the Lynx Fund has the oldest inception date of all client accounts and as a result may receive a disproportionate share of suitable investments.

Item 13 Review of Accounts

REVIEWS: While the securities within each client's account are continually monitored, these accounts are reviewed at least monthly. Client accounts are reviewed in the context of each client's stated investment objectives and guidelines. More extensive review of particular securities in client accounts is performed on a daily to weekly basis, depending upon the nature of the investment and the status of various factors that are used by the Proprietary Capital to monitor, rebalance and effect transactions in client accounts.

These accounts are reviewed by Craig Cohen, the firm's managing partner.

REPORTS: Advisory Accounts receive monthly custodial statements directly from the prime broker as well as confirmations for all transactions conducted. On a monthly basis, Advisory Account clients receive from Proprietary Capital an estimated profit and loss statement and detailed security portfolio listing. Proprietary Capital works with each Advisory Account client's third party administrator throughout the month to assist with trade breaks, valuation issues, and other accounting issues to accurately produce monthly financials and NAV

calculations.

Investors in the Hedge Funds receive either unaudited monthly or quarterly account statements directly from Proprietary Capital. They also receive annual audited financial statements and individual account statements prepared by the fund's auditor.

All statements and reports referenced above are in writing, although clients may also be provided with verbal reports.

Item 14 Client Referrals and Other Compensation

Proprietary Capital does not have solicitation or referral arrangements in place with third parties at this time. In the past, Proprietary Capital had arrangements with third parties to refer fund investors to its Hedge Funds. These arrangements are no longer in effect but certain of Proprietary Capital's Hedge Funds continue to pay for historical investor referrals.

Item 15 Custody

Proprietary Capital does not serve as the qualified custodian of assets of the Hedge Funds it manages and does not maintain physical custody of such funds' assets. Proprietary Capital is deemed by the applicable regulatory rules to have constructive custody of the assets of Hedge Funds. It satisfies the applicable regulatory requirements related to custody by, among other things, ensuring that the private investment funds are subject to an annual audit by an independent, Public Company Accounting Oversight Board (PCAOB) –registered and examined accounting firm, and that such audited financial statements are provided to investors within 120 days of a private investment fund's fiscal year end.

Proprietary Capital does not have custody of Advisory Account assets.

Item 16 Investment Discretion

We manage client assets on a discretionary basis. This means we have the authority to make buy and sell decisions without first getting approval for each transaction.

Any investment discretion we exercise is subject to an Advisory Account's investment management agreement or a Hedge Fund's offering documents, including any applicable investment guidelines. Advisory Account clients may amend or change such limitations by providing us with written instructions. Advisory Account clients may amend or change their guidelines by providing us with written instructions.

Item 17 Voting Client Securities

Although Proprietary Capital does not typically invest client assets in securities that carry voting rights, it has implicit authority to vote client securities by virtue of its discretionary authority and may, under certain circumstances, need to exercise voting authority for its clients. Therefore, as required by Rule 206(4)-6 under the Investment Advisers Act of 1940, we have adopted “Proxy Voting Policies” pursuant to which we have undertaken to vote all proxies or other beneficial interest in an equity security prudently and solely in the best long-term economic interest of our clients and their beneficiaries, considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote. Clients may direct a particular proxy vote at any time by contacting Proprietary Capital.

We will make its best efforts to avoid conflicts of interest in the voting of proxies. Where conflicts of interest arise, Proprietary Capital is committed to resolving the conflict in our clients’ best interest. In situations where we perceive a material conflict of interest, we may disclose the conflict to the relevant clients and obtain their consent before voting; defer to the voting recommendation of the relevant clients or an independent third party provider of proxy services; send the proxy directly to the relevant clients for a voting decision; vote the proxy based on the voting guidelines set forth in our Proxy Voting Policy if the application of the guidelines to the matter presented involves little discretion on our part; or take such other action in good faith that would protect the interest of our clients.

Clients of Proprietary Capital may obtain a copy of our Proxy Voting Policies or a record of our proxy votes free of charge by calling (303) 575-9084 or by writing Proprietary Capital at 1225 Seventeenth Street, Suite 1500, Denver, Colorado 80202.

Item 18 Financial Information

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. We have no such financial condition to report.

We have not been the subject of a bankruptcy petition at any time during the past ten years.

Item 1. Cover Page

Form ADV Part 2B--Brochure Supplement

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303-575-8944

January 11, 2012

This Brochure Supplement provides information about Craig A. Cohen and supplements the Form ADV Part 2A Brochure for Proprietary Capital, LLC ("Proprietary Capital"). You should have received a copy of that Brochure. Please contact Heide Burroughs at 303-575-9084 if you did not receive the Form ADV Part 2A Brochure or if you have any questions about the contents of this supplement.

Item 2. Educational Background and Business Experience

Craig A. Cohen was born in 1961. He graduated from the University of Florida in 1983 with a B.S. in Business Administration. His business experience includes:

- Proprietary Capital, LLC; Managing Member; from 5/97 to present
- Piper Jaffray; Senior Vice President; from 8/96 to 5/97
- Everen Securities; Senior Vice President; from 2/95 to 7/96
- Oppenheimer & Co.; Senior Vice President; from 2/90 to 2/95

Item 3. Disciplinary Information

Proprietary Capital is required to disclose all material facts regarding legal or disciplinary events that would be material to your evaluation of Mr. Cohen. No information is applicable.

Item 4. Other Business Activities

Mr. Cohen is a registered representative of Financial West Group, a registered broker-dealer. He has passed the Series 3, 7, 8 and 63 Exams. Proprietary Capital does not have a business relationship with Financial West Group. Neither Proprietary Capital nor Mr. Cohen use Financial West Group for advisory client transactions. Mr. Cohen maintains his status as a registered representative in order to provide brokerage services to himself, his immediate family and close friends.

Mr. Cohen also serves on the board of directors of Arco Capital Corporation, a holding company that, through its subsidiaries, engages in lending and acquisition activities primarily

in emerging European and Latin American markets. Mr. Cohen's duties as director center around corporate governance matters and do not involve asset management. Proprietary Capital does not have a business relationship with Arco Capital Corporation. Neither Proprietary Capital nor Mr. Cohen recommend Arco Capital Corporation in any capacity to advisory clients. Mr. Cohen is compensated for his services as a director.

Item 5. Additional Compensation

Proprietary Capital is required to disclose information regarding certain types of economic benefits Mr. Cohen receives from third parties for providing advisory services. No information is applicable.

Item 6. Supervision

Mr. Cohen is subject to Proprietary Capital's written compliance and supervisory procedures and the related ongoing compliance monitoring and testing. Such procedures address, among other things, the provision of investment advice. Questions concerning Mr. Cohen's advisory activities may be directed to Heide Burroughs, Chief Compliance Officer, at 303-575-9084.