

Progress Investment Management Company, LLC

Part 2A of Form ADV: Firm Brochure

March 21, 2018



Cultivate.

Progress Investment Management Company, LLC
33 New Montgomery Street
19th Floor
San Francisco, California 94105

T. +1 415. 512. 3480

www.progressinvestment.com

March 20, 2018

This Brochure provides information about the qualifications and business practices of Progress Investment Management Company, LLC ("Progress"). If you have any questions about the contents of this Brochure, please contact us at **+1 415. 512. 3480**. The information provided in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Progress is a registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser, along with its investment record of prior performance over different time cycles, provide you with information from which you determine to hire or retain an Adviser.

Additional information about Progress is also available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 132257.

Material Changes

On July 28, 2010, the United State Securities and Exchange Commission (the “SEC”) published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 21, 2018 is a document prepared according to the SEC’s requirements and rules.

In future annual/periodic updates, this Section will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of the last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. We will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Table of Contents

Item 1 Cover Page

Item 2 Material Changes

Item 3 Table of Contents

Item 4 Firm Description and Advisory Business 5

Item 5 Fees and Compensation.....10

Item 6 Performance-Based Fees and Side-By-Side Management.....14

Item 7 Types of Clients.....15

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss15

Item 9 Disciplinary Information16

Item 10 Other Financial Industry Activities and Affiliations

Item 11 Code of Ethics17

Item 12 Brokerage Practices17

Item 13 Review of Accounts19

Item 14 Client Referrals and Other Compensation19

Item 15 Custody20

Item 16 Investment Discretion20

Item 17 Voting Client Securities.....21

Firm Description and Advisory Business

Progress Investment Management Company, LLC (“Progress” or “the firm”), is an independent and certified minority-owned Investment Adviser registered with the U.S. Securities and Exchange Commission (“SEC”). Progress is the successor to Progress Investment Management Company, Inc.

Progress was founded in 1990 as an independent firm. In 1998, Progress was acquired by Liberty Financial Companies, Inc. and subsequently became part of Columbia Management Group, Inc. when FleetBoston Financial acquired the asset management businesses of Liberty Financial in 2001. On May 28, 2004, Progress’ senior management team successfully purchased all of the stock of Progress Investment Management Company, Inc. from Columbia Management Group, then a wholly-owned subsidiary of Bank of America Corporation.

At the same time, Progress Investment Management Company, Inc. was merged into the new entity, Progress. Progress was then owned 60% by its employees and 40% by an outside investor, MBTARF Strategic I, an investment vehicle of the Massachusetts Bay Transportation Retirement Fund. On June 10, 2008, Progress successfully purchased the remaining non-employee-owned interest of the firm from MBTARF Strategic I making Progress 100% minority and employee-owned.

Progress derives 100% of its firm revenue from its investment advisory services. The firm has no other lines of business.

Principal Owners and Governance

The principal owner of Progress Investment Management Company, LLC is Progress Key Employee, LLC, including Thurman V. White, Jr., its managing member and the only member who owns more than 25%. There are two classes of member/owners within Progress Key Employee, LLC.

Progress is governed by a five person Board of Directors, including three independent non-employee directors. The Progress Board chair is Thurman V. White, Jr. The Board of Directors provides overall firm policy and strategic direction. The firm’s Management and Investment Committees provide day-to-day business and investment oversight; they are led by our President and Chief Investment Officer (CIO), respectively. The CIO has overall responsibility for managing and supervising the Investment Team and overseeing and reviewing all client investment portfolios. Investment Team members assist the CIO in managing these portfolios and report to the CIO. Also, the firm has adopted a compliance program, code of ethics and related supervisory controls that govern all officers and staff. Each officer and staff affirms in writing that he or she has received and agrees to abide by the firm’s code of ethics, compliance and governance standards. Thurman V. White, Jr., our

Chief Executive Officer, may be contacted at (415) 512-3480 regarding any firm governance or supervision matters.

Types of Advisory Services

Progress generally acts as a manager-of-managers whereby Progress selects unaffiliated independent investment advisers (“Sub-Advisers”) to manage client assets invested in the firm’s Common Trust and Separate Accounts. We perform research searches to identify various unaffiliated registered investment advisers that may manage a portion of your portfolio. Progress provides investment advisory services to institutional clients consisting of corporate pension and profit-sharing plans, government plans, Taft-Hartley funds, trusts, foundations, endowments and tax-exempt charitable organizations.

As a manager-of-managers, Progress typically provides its investment advisory services by (i) identifying and selecting investment managers to serve as its Sub-Advisers, (ii) allocating client assets to those Sub-Advisers as part of multi-manager portfolios and (iii) monitoring their performance to ensure its multiple managed funds meet overall client portfolio investment and compliance objectives.

Portfolios will be managed in the context of an aggregated, integrated portfolio, and not as a stand-alone individual portfolio(s).

On an ongoing basis, we monitor the performance of the Sub-Advisers. If we determine that a particular adviser is not providing satisfactory management services to our clients, or is not managing clients’ portfolios in a manner consistent with stated goals, then we may move clients’ portfolios to a different Sub-Adviser. Under this scenario, Progress retains the discretion to hire and fire the Sub-Adviser and/or move client portfolios to a different program. Please refer to the selected Sub-Adviser’s Firm Brochure or other disclosure document for a full description of the services offered.

As a manager-of-managers, Progress typically provides its investment advisory services by (i) identifying and selecting investment managers to serve as its Sub-Advisers, (ii) allocating client assets to those Sub-Advisers and (iii) monitoring their performance to ensure its multiple managed funds meet overall client investment objectives.

Tailored Relationships: Progress’ advisory services are tailored to the specific needs of the firm’s institutional clients. Clients may impose restrictions on investing in certain securities or types of securities. Such restrictions must be submitted to Progress in writing.

The Progress Trust

Progress maintains one Trust, the Progress Common Trust (the “Common Trust”). The Common Trust is a tax-exempt group trust as determined by the Internal Revenue Service and trust participants have the option to choose which of the Common Trust investment funds their contributions should be directed. The Common Trust is a platform for equity investments.

The Common Trust

The Common Trust is a group trust established under the laws of the State of Illinois pursuant to a Declaration of Trust. The Common Trust is designed to provide participating investors with the benefit of managed investments within a collective fund.

The Common Trust, holding U.S. equities, is comprised of the following investment funds, none of which are currently active:

- The 21st Century Fund (formerly, Core Equity Fund) – inactive;
- The Common Appreciation Trust (CAT) Fund - inactive; and
- Mid Cap Equity Fund (formerly, Rocky Mountain Regional Fund) - inactive

Customized Separately Managed Accounts

Progress manages separate accounts (“Separate Accounts”) for institutions in a manner and structure very similar to the Common Trust. However, Progress may customize some aspects of its separate account management to meet a client’s specific investment or policy objectives. The Separate Accounts are generally U.S., Global, and Non-U.S. equity and fixed-income accounts managed by multiple emerging Sub-Advisers (including women and minority-owned Sub-Advisers) that Progress selects and oversees. Progress may also directly manage portions of the Separate Accounts to meet specific client objectives, or tailor other investment strategies to meet specific client investment and/or policy objectives.

Terms of Participation and Termination

Common Trust

Participants in the Common Trust may begin their participation or withdraw their contribution and terminate their participation, on any “valuation date,” i.e., the first business day of the month, provided the trustee and Progress receive a minimum of five business days prior notice.

Since Progress bills monthly in arrears, and 30 days' notice is required for termination, no refund is due upon termination.

Separate Account

Separate Account clients may terminate their investment advisory agreements with Progress upon a written notice served by either party.

Primary Services

Progress provides the following primary services to its Common Trust and Separate Account investment advisory clients:

- develops appropriate investment policies, objectives and guidelines for the Common Trust and Separate Accounts, consistent with client investment objectives;
- identifies, selects, and retains emerging investment managers with the ability to delegate its portfolio management duties, including minority/women-owned firms, which are registered as investment advisers with the SEC under the Advisers Act or with a State Securities Division or state regulatory authority;

Note: Progress selects these investment advisers after an extensive due diligence process, which in addition to an investment due diligence, includes a compliance, operational and risk assessment and an evaluation that includes research, site visits, and interviews with principals who have skills and background and actual performance record or potential for managing institutional assets using specific investment styles and strategies. Research and due diligence focuses on the professional staff, experience, organization, investment philosophy, investment process and performance of these investment advisers.

- allocates assets of the Common (Domestic Equity) Trust and those of Separate Accounts among these different investment advisers to achieve overall portfolio and client investment objectives;

Note: Allocation of assets is based upon diversification of investment styles and a desire to minimize exposure to individual company risk of the investment advisers. If Progress determines that there are no suitable managers available, Progress may directly manage some portion of the assets to compensate for style bias relative to investment benchmarks.

- monitors the investment performance of each Sub-Adviser to determine adherence to specified guidelines as well as the material business, personnel, and operational changes in these Sub-Advisers;
- provides business information and investment process consultative assistance to Sub-Advisers managing the Common Trust and Separate Account assets as necessary;
- reports investment performance monthly and quarterly to Trust participants and Separate Account clients;

Note: These written reports include, among other things, individual manager and overall composite rates of return summaries and manager performance comparisons to appropriate benchmarks.

- terminates any Sub-Adviser that does not meet client investment objectives as well as re-balances client portfolios periodically to maintain a favorable positioning compared to relevant investment performance benchmark characteristics;
- oversees the operations of the Common Trust and the trustee bank as well as relations with client custodian banks for the Separate Accounts; and
- may manage directly, on a discretionary basis, a portion of the investment funds within the Trust, an equity portfolio designed to assist in balancing total fund risk by compensating for under- or over-exposed risk factors (i.e., investment style or cap-size bias, etc.).

Note: When utilized, this portfolio is optimized to closely track the investment benchmark and portfolio characteristics related to the under- or over-exposed factors.

Alternative Investment Advisory Services

Progress offers one program for investments in alternative strategies.

Progress provides an opportunity for investors to access emerging and minority owned hedge fund managers. The Emerging Manager Hedge Fund Program builds upon Progress' experience overseeing long-only emerging manager investments across various asset classes and Progress' investment team's prior experience investing in hedge funds. The Program provides clients with customized exposure to institutional quality funds through different investment vehicles including a separately managed account. Hedge Fund strategies include:

- Equities (Long/Short, Market Neutral, Sector/Region-specific)
- Credit (Relative Value, Structured Products, Distressed Debt, Sector/Region-specific)
- Event-Driven (Distressed Debt, Merger Arbitrage, Multi-strategy)
- Macro (Discretionary, Systematic, CTAs)

Assets Under Management, AUM

As of December 31, 2017, Progress managed \$7,062,930,095 in assets on a discretionary basis and \$0 on a non-discretionary basis.

Fees and Compensation

Separately managed account fees are subject to negotiation. However, the fees for the Progress Common Trust are described below. A client may pay more or less than the fees set forth below depending upon the particular circumstances of the client, the size and scope of the overall client relationship, or as otherwise agreed with specific clients.

The specific manner in which fees are charged by Progress is established in a client's written investment management agreement with Progress. Progress will generally bill its fees on a quarterly basis in arrears. Clients may elect to be billed in advance or arrears each calendar quarter. Clients may also elect to be billed directly for fees or to authorize Progress to directly debit fees from client accounts. For those clients whose fees are charged in advance, management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Such charges, fees and commissions are exclusive of and in addition to Progress' fee, and Progress shall not receive any portion of these commissions, fees, and costs.

To the extent that Progress does not allocate client assets to Sub-advisers, and, instead, manages such assets directly, the Brokerage Practices section further describes the factors that Progress considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Common Trust Fees

Progress charges Trust participants a monthly fee based upon a percentage of the custodian's market value of its portfolio at the end of each month. Fees are payable monthly in arrears by participants. Fees charged to participants will vary depending upon the amount of a participant's investment in the trust. Trust participants who invest in both the Common Trusts, and/or multiple investment funds within trusts, will have their account values aggregated and their fee rate determined in accordance with the following schedule, based upon the total aggregated value of the participant's accounts in the Trust, or multiple investment funds, and the corresponding annual percentage fees:

Fee Schedules

Aggregate Value of Accounts	Annual Percentage Fees (%)
Common Trust (Domestic Funds)	
\$5 million - \$25 million	0.75
\$25 million - \$50 million	0.70
\$50 million - \$100 million	0.65
\$100 million - over \$150 million	0.60

The Common Trust is subject to various transactional and administrative costs. Ongoing costs are allocated in proportion to a participant's investment in the Trust; however, a participant directly bears the costs associated with the entry into or exit from Trusts. The associated entry or exit costs are capped at 0.50% of the managed assets in the Common Trust.

From Trust fees, Progress pays all investment management Sub-Adviser fees, trustee bank, custodial, consulting, legal, audit, and monitoring fees for the Trust in its domestic (U.S.) funds.

Customized Separately Managed Account Fees

Fees for Separately Managed Accounts are comparable to Trust fees but are negotiable on a case-by-case to satisfy customized client requirements. These fees are calculated as a percentage of assets under management and generally are charged quarterly in arrears based upon the custodian's amount of assets under management at the end of the quarter. Subject to negotiation, Separate Account fees may or may not be all-inclusive of the services above (e.g., custodial bank charges, sub-advisory fees, etc.) provided for in Trust fees.

Alternative Investment Program Fees

For its Hedge Fund Program, Progress currently charges a management fee ranging from 50-80 basis points depending upon the amount of assets allocated. This fee is in addition to the fees paid to the underlying hedge funds in which a Progress client may invest.

Limited Negotiability of Advisory Fees: Progress retains the discretion to negotiate fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports, among other factors. The specific annual fee schedule is identified in the contract between Progress and the client.

Termination of the Advisory Relationship: Clients have a period of 10 business days from the date of signing the client agreement to terminate the agreement and receive a full refund of all fees. Thereafter, a client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. 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 reimbursement of fees, Progress will pro rate the

Additional Fees and Expenses: In addition to Progress' advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for client account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

Grandfathering of Minimum Account Requirements: Pre-existing advisory clients are subject to Progress' minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, the firm's minimum account requirements and management fees will differ among clients.

ERISA Accounts: Progress is deemed to be a fiduciary to advisory clients that are qualified retirement plans pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"). As such, the firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Progress may only charge fees for investment advice about products for which the firm and/or its related persons offer and advise upon. Progress does not receive any commissions or 12b-1 fees, or conversely, provide investment advice about products for which the firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset the firm's advisory fees.

Advisory Fees in General: Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Limited Prepayment of Fees: Under no circumstances does Progress require or solicit payment of fees in excess of \$1,200 more than six months in advance for services rendered.

Valuation: In computing the market value of client assets, each security listed on any national securities exchange will be valued at the last quoted price on the valuation date. The valuation date will be the last business day of the month in each quarter. Securities not traded on such date will be valued at the last sale price prior to the valuation date. Any unlisted stock regularly

traded in the over-the-counter market will be valued at the last bid price quotation on the valuation date furnished to us by sources we may deem appropriate. Any other security not readily valued will be valued as determined by Progress, in good faith, to reflect the most current fair market value. Progress' CCO will document the rationale used to establish a fair valued price for the security.

Progress will use information provided by the custodian as the primary pricing source for purposes of valuing client portfolios, both for fee billing and investment performance calculation purposes.

Performance-Based Fees and Side-By-Side Management

Consistent with regulatory and other legal requirements, Progress and its Separate Account clients may agree, as an alternative, upon a "performance fee" agreement (i.e., fees based on a specified percentage capital gain or appreciation in market value of client assets under management) so that a fee arrangement meets a client's investment objectives. Progress may charge a performance-based fee, as described below, for its Portfolio Management Services. To qualify for this type of fee schedule, a client must be a "qualified client" as defined in Rule 205-3 of the Investment Advisers Act of 1940.

The annual performance-based fee will be determined by a client's individual circumstances, and will include realized and unrealized capital gains and losses in a client account during a given calendar quarter. Clients will be charged the performance fee in arrears at the end of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. The performance fee will be calculated based on the value of the client account prior to the deduction of Progress' management fee.

This performance fee is subject to a "High Water Mark" therefore, the performance fee will be paid by the client only when the aggregate net profit in the client's account for the current and all prior calendar quarters exceeds the aggregate net loss of the account for the current and all prior calendar quarters. The High Water Mark will be subject to reduction for withdrawals from the account on a pro rata basis.

Clients who elect to terminate their advisory agreements will be charged a fee based on the performance of the 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.

This performance-based fee may create an incentive for Progress to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Progress will fully disclose to its clients all material information regarding this method of compensation and its risks prior to entering into the contract. Progress has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF REG. 205-3 OF THE INVESTMENT ADVISERS ACT OF 1940 AND/OR APPLICABLE STATE REGULATIONS. THE FEES WILL NOT BE CHARGED TO ANY CLIENT RESIDING IN A STATE IN WHICH SUCH FEES ARE PROHIBITED.

Types of Clients

Progress provides investment advisory services to corporate pension and profit-sharing plans, government plans, Taft-Hartley funds, trusts, foundations, endowments and tax-exempt charitable organizations, municipalities and other U.S. and international institutions.

Common Trust

The minimum investment by a participant in the Common Trust is \$5 million.

Separate Account

The minimum account size for a Separate Account is generally \$75 million, but Progress may consider accepting smaller amounts for the account if additional funds are expected to be added to the account or other positive extenuating factors exist.

Progress Investments II, LLC – Special Single Client Investment

Progress Investments II, LLC ("Progress II") was created as required by a Progress client, the California Public Employees' Retirement System ("CalPERS"). Progress II makes program investments in Best of Class equity sub-advisers and allows for the transfer of knowledge and insights from Progress to CalPERS that may be used in the management of CalPERS' investment portfolios. Progress serves as Managing Member for Progress II with CalPERS as a sole member. Progress receives a flat annual investment management fee for its investment advisory services. These services are similar to those Progress typically makes with its other separate account relationship clients. Progress Key Employee, LLC made a nominal investment in the entity.

Methods of Analysis, Investment Strategies

Progress' goal is to build portfolios with the desired return and risk characteristics relative to a policy benchmark with three primary objectives: 1) Satisfy client objectives and guidelines with respect to managers and the fund (e.g., ownership, AUM, expected risk and performance levels, capacity, etc.); 2) Maximize target fund alpha with manager allocations that reflect the firm's confidence in individual manager risk/return expectations and managers' strategy consistency; and, 3) Manage acceptable total and relative risks at the individual manager and fund levels. Portfolio risks, as measured by style orientation, portfolio characteristics and factors, economic exposures and position size are captured and summarized by the fund's overall tracking error.

The firm's primary investment objective is to implement an active, relative return strategy that meets or exceeds client performance objectives with an acceptable level of risk, subject to investment and program guidelines. Progress' investment process is a team- and consensus-oriented approach. The Investment Committee is responsible for investment decisions, based on staff recommendations regarding manager selection and portfolio construction and management. Investment guidelines are established for each sub-advisor consistent with the client's objectives, relative to each manager's expected contributions to the overall fund risk and return profile, and Progress' assessment of the manager's investment strategy and asset class. Sub-adviser guidelines are established in consultation with the Sub-adviser to allow such firm to exploit its strengths as they relate to asset selection, portfolio construction and portfolio management, while controlling total and relative portfolio risk with the objective of generating alpha relative to the assigned benchmark.

Risk of Loss

Securities investments are not guaranteed and clients may lose money on their investments. Progress asks that clients work with the firm's investment team to ensure tolerance for volatility, liquidity needs, tax status, and distribution/withdrawal rates at the onset of the relationship and on a continuous basis is clearly articulated and understood by both parties so that investments can be adjusted should changes in a client's situation occur.

The risk and uncertainties that may affect performance include, but are not limited to, general market conditions, unexpected events in the economy, acts of terrorism, changes in clients' requirements or demands, cash flow needs, and shifts in market demand.

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by us) will be profitable or equal any specific performance level(s).Disciplinary Information

Progress is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Progress. Progress is not currently, nor has it ever been a part of any legal or regulatory disciplinary action related to its investment advisory services.

Other Financial Industry Activities and Affiliations

Progress and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

Code of Ethics

Progress has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Progress and its personnel owe a duty of loyalty, fairness and good faith towards the firm's clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Progress' Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by all Progress access persons. Among other things, the firm's Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Progress' code also provides for oversight, enforcement and recordkeeping provisions.

Progress' Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While Progress does not believe that the firm has any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of Progress' Code of Ethics is available to advisory clients and prospective clients. Additional copies may be requested by sending an email compliance@progressinvestment.com or by calling the firm's CCO at 415-512-3480.

Progress and individuals associated with the firm are prohibited from engaging in principal transactions. Firms and individuals associated with Progress are prohibited from engaging in agency cross transactions.

Brokerage Practices

Discretionary Advisory Services

As a manager of managers, Progress provides discretionary investment advisory services to its clients by identifying, selecting, hiring and monitoring the performances of

a group of Sub-Advisers who in turn make investment decisions without consultation with Progress. These Sub-Advisers remain subject to overall investment monitoring, guidelines and policies established by Progress, or its clients.

The investment discretion exercised by the Sub-Advisers typically includes determining which securities are bought and sold for the accounts, the total amount of the securities to be bought and sold, the brokers with whom orders for the purchase or sale of securities are placed for execution, and the price per share and the commission rates at which securities transactions are executed. The Sub-Advisers' investment discretion in making these determinations may be limited by investment guidelines or other policies imposed by Progress, and/or its clients.

Selection of Brokers by Sub-Advisers

In determining the brokers through whom securities transactions are to be executed as well as commission rates and other transaction costs, the policies of Progress require its Sub-Advisers to seek to negotiate a combination of the most favorable commission and the best price obtainable on each transaction (generally defined as best price/best execution).

Progress' Sub-Advisers generally select brokers primarily on the basis of their execution capability and trading expertise considering, among other factors, the overall reasonableness of the brokerage commissions, current market conditions, size and timing of the order, difficulty of execution and per share price. Progress monitors the total brokerage and trading execution activities of its Sub-Advisers and reports these quarterly activities to its clients as required.

Progress also has a written policy to encourage its Sub-Advisers to use minority and women-owned brokers for securities transactions where these brokers can provide best price for and best execution of securities transactions.

Soft Dollar Practices

While the Sub-Advisers select brokers primarily on the basis of best execution, in some cases the Sub-Advisers may also direct transactions to these brokers because of the quality and amount of research-related services, which the brokers provide to these Sub-Advisers and indirectly to the clients of Progress and other clients of the Sub-Advisers. These services are described in Section 28(e) of the Securities Exchange Act of 1934, and are designed to augment the Sub-Advisers' internal research and investment strategy execution capabilities. These services typically include a wide variety of written research reports on industries of particular interest to the Sub-Advisers, general economic conditions, macro-economic studies, and other investment issues designed to assist the manager in the investment management process.

Review of Accounts

Reviews and Reviewers

Certain designated staff members of Progress continuously review the investment decisions, portfolio activities and investment performance of the investment management firms Progress retains to manage the firm's Separate Accounts. These staff members also review the transactions of the Sub-Advisers and reconcile these transactions to a report of the Separate Account custodian on a monthly basis.

The Chief Investment Officer has overall responsibility for conducting manager and client account reviews for all Separate Accounts. Investment Team members, and all officers of the firm, assist the Chief Investment Officer in these reviews.

Progress also conducts annual and periodic reviews of the Separate Accounts that include the participation of senior officers of the firm who are also members of the Investment Committee. The same review process described above also applies generally to the firm's alternative investment strategies.

Nature and Frequency of Reports to Clients

Clients receive written monthly and quarterly investment performance reports which include the market value of Separate Account portfolios, contributions and withdrawals, rates of return for specified time periods since inception of the account, manager and fund composite performance data, and comparisons to appropriate investment performance benchmarks and various investment style published indices.

Progress encourages frequent reviews and communications about investment performance with its clients and participates in regular performance reviews held periodically at the request of clients and at the firm's initiative.

Progress may also communicate with clients from time to time through client newsletters.

Client Referrals and Other Compensation

Progress does not have any arrangements, written or oral, compensating any person directly or indirectly for client referrals. Neither Progress nor any of its employees have an economic interest in any of the sub-advisors the firm recommends or uses in any of its client portfolios.

Custody

Progress previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that the firm directly debits advisory fees from select client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact Progress directly and immediately if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, Progress also sends account statements directly to the firm's clients on a quarterly basis. Progress statements may vary from custodian statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Progress urges all clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Progress does not have actual or constructive custody of client accounts.

Investment Discretion

Progress generally receives discretionary authority from the client at the outset of an advisory relationship to select and oversee multiple Sub-Advisers or, alternately in limited circumstances, to select the type and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

As a manager of managers, Progress provides discretionary investment advisory services to its clients by identifying, selecting, hiring and monitoring the performances of a group of Sub-Advisers who in turn make investment decisions without prior consultation with Progress. These Sub-Advisers remain subject to overall investment monitoring guidelines and policies established by Progress.

The investment discretion exercised by the Sub-Advisers typically includes determining which securities are bought and sold for the accounts, the total amount of the securities to be bought and sold, the brokers with whom orders for the purchase or sale of securities are placed for execution, and the price per share and the commission rates at which securities transactions are executed. The Sub-Advisers' investment discretion in

making these determinations may be limited by investment guidelines or other policies imposed by Progress, and/or its clients.

Voting Client Securities

As a matter of firm policy, Progress does not vote proxies on behalf of clients. Therefore, although Progress may provide investment advisory services relative to the firm's clients' investment assets, all proxies are voted by Progress' Sub-Advisers prudently and solely in the interests of the client or the plan's beneficiaries. Proxies are voted with the care, skill, prudence and diligence under the circumstances that a prudent person acting in a like capacity would use in the conduct of his/her own affairs. In voting proxy issues, Progress' Sub-Advisers will follow the policy outlined by each client.

Financial Information

Under no circumstances does Progress require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Progress does not have custody of clients' funds or securities under the custody rules. Therefore, Progress is not required to include a financial statement.

As an advisory firm that maintains discretionary authority for clients, Progress is also required to disclose any financial condition that is reasonably likely to impair the firm's ability to meet its contractual obligations. Progress has no additional financial circumstances to report.

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