

# Progress Investment Management Company, LLC

## Brochure (ADV-2A2B)

April 2016



Cultivate.

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

T. +1 415. 512. 3480

**[www.progressinvestment.com](http://www.progressinvestment.com)**

April 29, 2016

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 provide you with information about which you determine to hire or retain an Adviser.

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

## 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 February 15, 2016 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

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. Pursuant to new SEC Rules, 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. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting the Chief Compliance Officer at **+1 415. 512. 3480** or **compliance@progressinvestment.com**.

Additional information about Progress Investment Management Company, LLC is also available on our website at [www.progressinvestment.com](http://www.progressinvestment.com) and also via the SEC’s web site **www.adviserinfo.sec.gov**. The SEC’s web site also provides information about any persons affiliated with Progress who are registered, or are required to be registered, as investment adviser representatives of Progress.

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## 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 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 Chief Executive Officer (CEO) 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 our 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.

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

### **Types of Advisory Services**

Progress generally acts as a manager-of-managers whereby Progress selects unaffiliated independent investment advisers ("Sub-Advisers"), or private equity partnerships, to manage client assets invested in the firm's Common Trust and Separate Accounts (described below).

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 and (iii) monitoring their performance to ensure its multiple managed funds meet overall client investment objectives. All Sub-Advisers of Progress are investment advisers registered with the SEC under the Investment Advisers Act of 1940 (the "Advisers Act") or with a particular State Securities Division or state regulatory authority under governing state law.

Based on the investment needs of a client, we offer investment vehicles that best suit their requirements. For further information, please contact us at 415-512-3480.

### **The Progress Trust**

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

#### *The Progress 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 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, only one of which is active:

- The 21st Century Fund (formerly, Core Equity Fund);

- The Common Appreciation Trust (CAT) Fund - active; and
- Mid Cap Equity Fund (formerly, Rocky Mountain Regional Fund)

### **Customized Separately Managed Accounts**

Progress manages separate accounts (“Separate Accounts”) for institutions in a manner and structure very similar to the 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. 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.

Progress provides the following primary services to its 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 two programs for investments in alternative strategies:

- the Hedge Fund Program; and
- the Progress-Urban Private Debt Impact Investment Program

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 emerging manager long-only 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)

The Progress-Urban Private Debt Impact Investment Program is intended to make debt capital available, at attractive interest rates, to minority-owned businesses in selected U. S. urban areas. The Program will also make capital available to invest with non-profits seeking to grow for profit social enterprises. Progress will provide technical assistance to the minority and women-owned businesses and non-profits that receive its loans in this strategy to help them generate the additional social impact benefit of job creation.

## Assets Under Management, AUM

As of December 31, 2015, Progress managed \$8,011,615,840 in assets on a discretionary basis and \$0 on a non-discretionary basis.

## Fees and Compensation

Fees are subject to negotiation with the exception of the Progress Common Trust. 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. 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 (%)
<b>Common Trust (Domestic Funds)</b>	
\$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 administration 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 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 Alternative Investment Program, Progress currently charges a management fee of one percent (1%) of committed capital for its investment advisory services in private market fund-of-fund investments for the first six years of a client's commitment. Thereafter, Progress charges a client one percent (1%) annual management fee based upon net asset value of the client's committed capital or the initial committed capital, whichever is less.} Should info in brackets be deleted since AIP is no longer active?? Management fees for alternative investment advisory services are paid quarterly in arrears. For its Hedge Fund Program, Progress currently charges a management fee ranging from 80-100 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.

The Progress-Urban Debt Impact Investment strategy generally charges a management fee of 2.0% of capital commitments during its investment period.



## 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 the Best of Class 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 also a 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 contribution to the entity.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

The goal is to build a portfolio 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 our 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.

Our 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. The 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 our 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.

Investing in securities involves risk of loss that clients should be prepared to bear.

## 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.

## Code of Ethics

Progress has adopted a Code of Ethics for all employees of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on acceptance of significant gifts and the report of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees at Progress must acknowledge the terms of the Code of Ethics annually, or as amended.

All employees of Progress are subject to the firm's policy governing personal securities trading activities. The policy requires employees to put the interests of the clients of Progress ahead of their own business, financial and personal interests. The policy also requires all employees to comply with various reporting, disclosure and pre-clearance requirements in connection with personal securities transactions so as to prevent actual or potential conflicts of interest while serving the firm's clients. Adherence with the policy is a condition of employment with the firm.

The personal securities trading policy of Progress applies not only to transactions by employees but also to transactions in accounts in which employees have any direct or indirect beneficial interest. These accounts may include the accounts of spouses, minor children or other dependents residing in the same household. A dedicated Chief Compliance Officer, reporting to Progress' President and CEO, monitors and oversees all compliance by Progress employees with the firm's Code of Ethics as well as maintaining the firm's compliance program.

Persons associated with the adviser may hold the same securities that may be purchased for the Common or Fixed Trusts, or for separately managed accounts, by the firm's Sub-Advisers. Information about any investments and the timing of those investments is generally gained after the fact. Therefore, potential conflicts of interest are minimized.

Progress' clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the Chief Compliance Officer at 415-512-3480.

## 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, 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 one Trust -- the Common Trust -- and the Separate Accounts. These staff members also review the transactions of the Sub-Advisers and reconcile these transactions to a report of the Trustee or Separate Account custodian on a monthly basis.

The Chief Investment Officer has overall responsibility for conducting manager and client account reviews for the Trusts and the 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 Trust and 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 the total Trust or Separate Account portfolio, 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 it recommends or uses in any of its client portfolios.

## **Custody**

Clients should receive at least quarterly, statements from the broker dealer, bank or other qualified custodian that holds and maintains the client's investment assets. Progress urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodian statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **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, or its clients.

## **Voting Client Securities**

Based on the client's investment management agreement, proxies are voted either by Progress or its 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 and its Sub-Advisers will generally follow the policy outlined by the client.

## **Financial Information**

Registered Investment Advisers are required to provide clients with certain financial information or disclosure about Progress' financial condition. Progress has no financial commitment that impairs its ability to meet contractual and/or fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

## **Disaster Recovery Plan**

Progress' Disaster Recovery Plan, in the case of a major disaster or material business disruption, is reasonably designed to safeguard employees, recover and resume operations, protect critical books and records and enable communications with clients and other key stakeholders. The maintenance of facilities, hardware, network, security and operating systems are located in our remote data center at Synoptek, Inc. in San Francisco, CA and Las Vegas, NV. In the event of a disruption affecting our business district, city, or region, we plan to continue in business, set up operations by remote access to our information technology infrastructure, and notify you through our web site [www.progressinvestment.com](http://www.progressinvestment.com).

## Education and Business Standards

Progress generally requires that its professional staff have a college degree, although in exceptional circumstances significant business experience may be accepted in lieu of a college degree. Some of the firm's professional staff members have earned advanced degrees in business or degrees in law, or have earned the professional designation of CFA (Chartered Financial Analyst) or CIC (Chartered Investment Counselor).

## Brochure Supplement

This brochure supplement provides information about Thurman V. White, Alex Hsiao, Jose Balagot and Mona Williams that supplements Progress Investment Management Company, LLC's brochure. Please contact the Chief Compliance Officer at **[compliance@progressinvestment.com](mailto:compliance@progressinvestment.com)** if you did not receive Progress' brochure or if you have any questions about the contents of this supplement.

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## **Thurman V. White, Jr.** | Chief Executive Officer (1992)

### **Education and Business Experience**

Thurman is responsible for the vision and values of Progress, as well as leadership to achieve all the firm's operational, financial and strategic goals. He chairs the Management Committee and serves as a voting member of the Investment Committee. From 1992 to 1994, Mr. White served as chief operating officer of Progress, with day-to-day oversight of the firm's operations, and he was responsible for developing and maintaining several key client relationships during a time of rapid business growth. From 1994 to 2001, Thurman served as managing director, where he took on a variety of senior leadership responsibilities, including product development, new business development and client retention. He served as the firm's product manager, leading its private-equity fund-of-funds strategy for investment in emerging private-equity partnerships. In 2000, he led the firm's effort on behalf of CalPERS to manage a \$40 million venture capital fund making direct investment in emerging investment management firms, and placing assets to manage with those firms from a \$1 billion pool. In 2001, Thurman was named president of Progress. In 2004, he guided senior management as it teamed with an outside investor in a successful management buyback of the firm, at which time he also became CEO. Since the management buyback, Mr. White has piloted the firm as it has continued its steady growth in assets under management, expanded the firm's employee ownership and implemented a values-centric leadership model.

Mr. White has had previous line management and operating company experience with profit/loss responsibility, as well as public policy experience at the state legislative and federal agency levels. He holds an undergraduate degree in public and international affairs from the Woodrow Wilson School at Princeton University, a master's degree in communications from Stanford University and a law degree from Boalt Hall, University of California, Berkeley. He has been a member of the California Bar since 1981.

### **Professional Designations**

Mr. White is a member of the California State Bar.

### **Disciplinary Information**

Mr. White does not have any disciplinary history.

### **Other Business Activities**

Mr. White is currently the Chair of the Investment Committee of the Silicon Valley Community Foundation and is not actively engaged in any other for profit investment-related business.

### **Additional Compensation**

Mr. White does not receive any additional compensation.

### **Supervision**

Mr. White reports to the Board of Directors of Progress on a quarterly basis. He is a voting member of the Investment Committee and is the Chairman of the Management Committee.

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## **Alex Hsiao** | Chief Investment Officer (2006)

### **Education and Business Experience**

Alex leads the investment team, overseeing all investment and fund-related activities at Progress, including quantitative evaluation and the monitoring of manager performance, portfolio monitoring and analysis, manager selection and communication. He chairs the Investment Committee and is a voting member. He is also a member of the Management and Strategy Committees. Prior to joining Progress, he served as the treasurer and chief investment officer of The California Endowment in Los Angeles. While there, he managed a portfolio of approximately \$4 billion in various traditional equity, fixed-income and alternative investment strategies. During Alex's tenure, the Endowment's portfolio consistently outperformed its benchmark. Prior to his work with The California Endowment, Mr. Hsiao worked for Bankers Trust in Hong Kong, where he managed a staff of 10 and served as a risk management analyst and, later, as vice president of Fixed Income, managed a \$2 billion proprietary debt portfolio focused on undervalued assets in China, Korea, Singapore and other countries in the Far East. Alex has an undergraduate degree in managerial economics from the University of California, Davis, and a master of business administration degree from the University of California, Irvine.

### **Disciplinary Information**

Mr. Hsiao does not have any disciplinary history.

### **Other Business Activities**

Mr. Hsiao is not actively engaged in any other investment-related business or industry activities. However, he is a member of the Asian American Association of Investment Managers (AAAIM).

### **Additional Compensation**

Mr. Hsiao does not receive any additional compensation.

### **Supervision**

Mr. Hsiao reports to and is supervised by Thurman V. White, Jr., President & CEO (415-512-3480). Mr. Hsiao and Mr. White meet on a daily basis to discuss various client, manager and product related matters. Mr. Hsiao is the Chairman and a voting member of the Investment Committee and is a member of the Management Committee.



## **Jose Balagot** | Deputy Chief Investment Officer (1996)

### **Education & Business Experience**

As a member of the firm's Portfolio Management team, Jose is involved in client portfolio construction, monitoring and rebalancing, as well as leading the firm's manager research function. He is a voting member of the Investment Committee and a member of the Management Committee. Prior to joining Progress, Jose was an international equity analyst for Bailard, Biehl and Kaiser, where he was responsible for database design, returns forecasting, performance measurement, attribution analysis and asset allocation modeling. Previously, he was an economic consultant for DRI/McGraw-Hill, building econometric forecasting models and market planning systems for Fortune 500 companies. Jose earned his Bachelor of Arts and Master of Science degrees in economics at the University of California, Santa Cruz.

### **Disciplinary Information**

Mr. Balagot does not have any disciplinary history.

### **Other Business Activities**

Mr. Balagot is not actively engaged in any other investment-related business or industry activities.

### **Additional Compensation**

Mr. Balagot does not receive any additional compensation.

### **Supervision**

Mr. Balagot reports to and is supervised by Mr. Alex Hsiao, CIO, of Progress. (415-512-3480). Mr. Balagot and Mr. Hsiao have daily meetings to discuss various projects and duties relating to clients, manager research, portfolio management and manager sourcing and due diligence issues. Mr. Balagot is a voting member of the Investment Committee and a member of the Management Committee.

## **Mona S. Williams** | Executive Vice President (2000)

### **Education & Business Experience**

Mona is responsible for the creation and implementation of new business development strategies in the institutional marketplace, with specific emphasis on plan sponsors in the public, corporate and foundation/endowment areas nationwide. Under her leadership, her team develops all new client relationships and manages the firm's existing client and consultant relationships. Mona is a member of the Progress Board of Directors and also serves on the Management Committee. She is a voting member of the Investment Committee. Prior to joining Progress, she was director of marketing for Albriond Capital Management, LLC, where she was responsible for new business development, client service and client retention. She also served as the director of marketing for Capital Insight Brokerage, Inc. Her earlier experience includes positions in the institutional equities department of Bear Stearns and in the retail division of Merrill Lynch. Mona received a Bachelor of Arts degree from the University of California, Berkeley. She is a board member of the National Association of Securities Professionals.

### **Disciplinary Information**

Ms. Williams does not have any disciplinary history.

### **Other Business Activities**

Ms. Williams does not actively engage in any other investment related business.

### **Additional Compensation**

Ms. Williams does not receive any additional compensation

### **Supervision**

Ms. Williams reports to and is supervised by Thurman V. White, President & CEO, or Progress (415-512-3480). Ms. Williams meets with Mr. White on a daily basis regarding client related and new business development matters. Ms. Williams is a voting member of the Investment Committee and member of the Management Committee.