

## Part 2A of Form ADV: Firm Brochure

### Item 1: Cover Page

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**This brochure provides information about the qualifications and business practices of Praesideo Management, LLC (“Praesideo”). If you have any questions about the content of this brochure, please contact us at phone number: 801-866-1150 or email: [info@praesideo.com](mailto:info@praesideo.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

**Praesideo is a registered investment adviser. The fact that Praesideo is registered does not imply a certain level of skill or training.**

**Item 2: Material Changes**

**This Brochure constitutes Praesideo Management, LLC's first filing under requirements as a State Registered Investment Advisor with intent to Withdraw from SEC Registration due to assets under management of the firm being too small for continuation of Federal registration. Per location of business, Praesideo will register in it's primary state of business, Utah and notice file per requirement in the State of Texas.**

Praesideo Management, LLC launched Praesideo Prosper Fund ("PCI") a 3(c)1 investment vehicle. Though the fund intentionally took no outside investor capital in the year 2011, the fund was investing capital on behalf of principals of the firm for the intent of soliciting outside investors in the future. Bentley D. Wilson, a 1099 contract employee of the firm listed as a "Managing Director" who was engaged to consult Praesideo Management, LLC for purposes of business development, including the creation and management of marketing material and strategic introductions left the firm. The relationship with Mr. Wilson was terminated in Dec 31, 2011 due to licensing and compliance violations.

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#### Item 4: Advisory Business

Praesideo was founded in 1991 as a Hedge Fund of Funds. An affiliate company previously operated as Praesideo Asset Management, Inc. Praesideo Management, LLC is a Delaware limited liability company. Praesideo is principally owned by Jeffrey D. Clark, Michael S. Loughton and Trevor W. Welch. Praesideo specializes in identifying investment opportunities in alternative investments. The term alternative investments as it is used in this Firm Brochure generally means investment vehicles including Hedge Funds, Private Equity Funds, Venture Capital, Private Investments, Commodities, Public Equities, Debt and Derivatives in various strategies.

Praesideo primarily manages pooled investment vehicles of unregistered investment companies, commonly known as hedge funds. In addition, Praesideo acts as Investment Advisor to a limited number of Individuals and Institutions including direct investment advice provided for principals of Praesideo Management, LLC. Praesideo tailors its advisory services to the particular needs of its investment vehicles and underlying investors. Praesideo enters into investment advisory agreements with its pooled investment entities and underlying investors in which they agree to the type of advisory services Praesideo will perform. Investment recommendations to the investment vehicles managed by Praesideo differ based on objectives and strategies of the particular fund. As Praesideo manages investment vehicles it does not provide wrap fee programs to advisory clients or non-discretionary investment services. Typical investors in a Praesideo investment vehicle are institutions or high net worth individuals requiring professional exposure and management tailored towards assets considered alternative investments. As of March 1, 2012, Praesideo managed \$53,009,940 in assets on a discretionary basis. The names of the funds managed by Praesideo Management, LLC are as follows:

##### Current Investment Vehicles:

- Praesideo Equity Partners, LP (1991) a 3c1 fund
- Praesideo International Investors, LP (1993) a 3c1 fund
- Praesideo Premier Fund, LP (2004) a 3c1 fund
- Praesideo Prosper Fund, LP (2011) a 3c1 fund
- Praesideo Energy Advisors, LP (2006) a 3c1 fund
- Praesideo Private Equity Partners, LP (2006) a 3c1 fund

Prior Investment Vehicles (These are investments vehicles previously managed by Praesideo, but no longer offered to investors and/or managing any assets whatsoever):

- Praesideo International Partners (2004) a 3c1 fund
- Praesideo Discovery Partners (1994) a 3c1 fund
- Praesideo Japan Investors (2001) a 3c1 fund

Please refer to the individual Private Placement Memorandum for each individual investment vehicle for more information on the strategy, objectives and risk of each investment vehicle.

#### Item 5: Fees and Compensation

A detailed description of the Management Fee and Operational Fee for each Investment Vehicle managed by Praesideo. (Management Fee, Operating Expense)

##### **1.5% mgt fee, <=0.75% op. exp**

- Praesideo Equity Partners, LP (1991) a 3c1 fund
- Praesideo International Investors, LP (1993) a 3c1 fund
- Praesideo Premier Fund, LP (2004) a 3c1 fund

**0.95% mgt fee, typically less than 0.25% op exp**

Praesideo Prosper Fund, LP (2011) a 3c1 fund

**Pass through of Operational Expenses ONLY**

Praesideo Energy Advisors, LP (2006) a 3c1 fund

Praesideo Private Equity Partners, LP (2006) a 3c1 fund

Praesideo maintains sole discretion to waive or adjust fee arrangements based upon criteria disclosed in each investment vehicle's private placement memorandum and/or advisory agreement.

Underlying investors will be charged Advisory Fees by the Investment Funds managed by Praesideo. Such fees may be based on varying percentages of the net asset value of the Investment Funds managed for the benefit of underlying investors by Praesideo as described in that particular investments Private Placement Memorandum, Limited Partnership agreement and/or advisory agreement. Upon agreement in Private Placement Memorandum underlying investors in funds managed by Praesideo may charge a performance based percentage standard in the hedge fund and private equity industry. Under agreed upon Limited Partnership Agreement, Praesideo will receive a special allocation to its capital account of a portion of the Net Profits of the Partnership equal to fees agreed upon of the underlying investor's beginning capital accounts annually, computed quarterly. Praesideo, in its sole discretion, may waive or modify the special allocation for certain underlying investors.

Underlying investors will also pay the Investment Vehicle's operating, legal, accounting, and auditing fees as incurred, including the expenses of the investment vehicle; provided, however, that Praesideo is obligated to reimburse the underlying investors at the end of each fiscal year to the extent such ordinary expenses exceed an agreed upon amount in the private placement memorandum and/or investment agreements.

As Praesideo and the investment vehicles managed by Praesideo engage in investments into separate investment managers with individual management fees and expenses, these fees are generally not passed directly to the underlying investor of Praesideo, but paid by the investment vehicles themselves. The performance of the investment vehicles will be reported to underlying investors net of all ordinary expenses related to the asset Praesideo chooses to invest in.

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

Praesideo may receive a special allocation to its capital account of a portion of the Net Profits of the Partnership equal to fees agreed upon of the underlying investor's beginning capital accounts annually, computed quarterly. Underlying investors in Praesideo managed investment vehicles are currently not charged a typical carry or performance based fee. Praesideo reserves the right to charge performance based fees per Private Offering Memorandum for future products. Praesideo has no incentive to provide any preferential treatment to any client.

Praesideo at times may invest in special situations or opportunities on behalf of Principals of the firm and/or strategic underlying investors. These investments are made outside the current investment vehicles when they will exceed prudent size and/or scope of the investment vehicles.

**Item 7: Types of Clients**

Praesideo currently provides investment advice to clients that are individual and/or institutional investors into an investment vehicle managed by Praesideo. Clients also include unregistered Investment Companies (commonly known as hedge funds and private equity funds) and to a limited number of Individuals and Institutions with an emphasis on alternative investments.

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

Praesideo intends to maximize investor returns while limiting its risks through a program of investing with Investment Funds and Money Managers selected generally on the basis of their track records and trading strategies. In addition, Praesideo will trade individual securities through public and private markets to enhance the return profile of the investment vehicle and underlying investors assets according to Praesideo's discretionary authority.

The goals of the Investments are to avoid the loss of capital, preserve profits independent of market movements, and reduce volatility through diversification. These goals are pursued through Praesideo's abilities to search, evaluate, and select the most qualified Investment Funds and Money Managers from among the large universe of professional Managers, Praesideo's access to Managers who generally are unavailable to investors, and focus on a defensive portfolio of complementary Investment Funds and Money Managers designed to protect capital in difficult markets.

Praesideo incorporates several or all of the following in its investment approach:

- Identify diverse and uncorrelated equity investment strategies.
- Identify Money Managers who are specialists with respect to the strategies.
- Perform analysis of Money Manager's track records and methodology, conduct personal interviews, and verify references and credentials.
- Select those Money Managers whose performance indicates the ability to consistently earn excess returns with a low level of risk.
- Blend the strategies and selected Money Managers into a complementary portfolio which yields significantly lower risk (volatility) than that of the individual managers.
- Achieve this reduction of risk without sacrificing returns.
- Constantly monitor each Manager through ongoing performance analysis and continuous personal interviews and evaluations.

In selecting Investment Funds and Money Managers, Praesideo considers the following:

The degree to which an Investment Fund or Money Manager complements and balances the portfolio and correlates to the other Investment Funds and Money Managers.

- The extent to which the Money Manager has a significant co-investment in his Investment Fund.
- The Money Manager is well-respected and esteemed by his peers and competitors.
- The Money Manager's compensation is based primarily on performance.
- An examination of the strategies of the Investment Fund or Money Manager indicates the continued favorable outlook for the strategy employed.

In addition, each Investment Fund, excluding, Praesideo Private Equity Partners and the 2011 Praesideo Prosper Fund as NO outside CAPITAL was invested in these funds outside of PMLLC and its principals, will be required to provide audits by an independent accounting firm not less frequently than annually and will provide that its funds be placed with a qualified custodian. Praesideo Energy Advisors is a pass-through entity that has no management fee, therefore the audit is provided on the single underlying investment with quarterly statements and audit of that investment sent to each limited partner/underlying investor. Praesideo Prosper Fund and Praesideo Private Equity Partners

were not offered to outside investors. As these were private accounts comprised entirely of Praesideo Management, LLC and PMLLC Principal capital, with no outside offering or investment, these vehicles were excluded from the audit requirement for pooled investment vehicles. The Praesideo Prosper Fund will be audited for Fiscal year 2012 as the vehicle was launched as an open investment vehicle for outside investment on January 1, 2012.

(1) Due Diligence is to be performed on each investment including research including but not limited to the following on each Fund Manager, Fund Management Company.

- a) Principal Party Background Research listing any adverse filings of criminal or financial background
- b) Regulatory license background checks via broker check, NASD, SEC or other related party
- c) Written details of the fund strategy and track record verified with 3rd party reference or service provider
- d) Written details of terms, Praesideo structure / history
- e) Contact and Verify Third Party servicers including, Administrators, Legal Counsel, Prime Brokers and Auditors
- f) Review any available financials and confirm with any applicable auditor / 3rd party. Compare any confirmed financials with any marketed track record / financials
- g) Review and verify elements of the managers background stated.
- h) Provide detailed explanation of any anomalies in any of the above items or inconsistencies with the review.
- i) Maintain a record of due diligence details for each invested fund.
- j) Review each fund operation and services annually

(2) The manager provides active due diligence on the scope and valuations of each fund in the portfolio. Pursuant to FASB 157 fair market valuations, The Manager divides all investment valuations into 3 separate buckets. The majority of Investments are considered level 3 from a FAS 157 perspective

**No assurance can be given that all or any of the foregoing considerations will be available in an Investment Fund or Money Manager or, if available, will enable the Partnership to achieve its investment objectives. Furthermore, no assurance can be given that the investment approach of Praesideo will cause the Partnership to be profitable or prevent it from sustaining significant losses.**

## **RISK FACTORS**

*Prospective subscribers should consider the following substantial risks before subscribing for Interests.*

### **The Markets**

**The Partnership's Trading of Securities is Speculative and Volatile.** Securities prices may be highly volatile. Securities held by the Partnership, directly or indirectly, may involve substantial risk and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. As one or more of the Investment Funds and Money Managers may buy and "sell short" securities on margin, the volatility of the Partnership's securities portfolio may be greatly increased, leading to significantly greater risks. Moreover, there is no limitation on the size or operating experience of the companies in which the Partnership or the Money Managers may invest. Some small companies in which the Partnership or the Money Managers may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies.

The Investment Funds and the Money Managers also may invest in non-United States securities, which may represent a greater degree of risk (including risks related to exchange rate fluctuations, tax provisions, or expropriation of assets) than do securities of United States issuers. Further, the Investment Funds and the Money Managers may trade in unlisted, as well as listed, securities, which may be both more volatile and more risky (by reason of the financial position of the counterparty, in the case of unlisted options, and the financial position of the company, in the case of unlisted stocks), than other securities.

**Trading may be Leveraged; Short Sales.** The Investment Funds and the Money Managers at times may trade securities on a leveraged basis (i.e., the security can be purchased by putting up only a portion of the instrument's face value and borrowing the remainder ("margin")). Thus, like other leveraged investments, the purchase or sale of a security may result in losses in excess of the amount invested. In addition, in a "short sale," there is no limit to the amount of potential loss. Although the use of leverage and "short sales" can substantially improve the return on invested capital, their use may increase any adverse impact to which the investment portfolio of the Partnership may be subject. Gains and losses on short sales generally are treated as short-term capital gains and losses for tax purposes.

**The Markets Traded by the Partnership May be Illiquid.** At various times, the markets for securities purchased or sold by the Investment Funds or the Money Managers may be "thin" or illiquid, making purchase or sale of securities at desired prices or in desired quantities difficult or impossible. For example, securities exchanges and the SEC have authority to suspend trading in a particular security without notice. There may be no market for unlisted securities traded by the Partnership.

**Markets are highly competitive.** The investment industry in general, and the markets in which the Partnership intends to invest in particular, are extremely competitive. In pursuing their respective trading methods and strategies, the Investment Funds and the Money Managers will compete with investment firms, including many of the larger investment advisory and private investment firms, as well as institutional investors.

**Arbitrage Trading May Involve Potential Risks.** The trading operations of the Investment Funds and the Money Managers may involve arbitraging between a security and its announced buy-out price (or other forms of "risk arbitrage"), between two securities, between equities and equity options, between options, between debt instruments, and/or any combination of the above. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. These offsetting positions entail substantial risk that the price differential could change unfavorably causing a loss to the position.

**Risk Arbitrage Trading by the Partnership May Entail Significant Risks.** The Investment Funds and the Money Managers may invest in risk arbitrage transactions, which are inherently volatile. The short-term performance of the Partnership's securities investments therefore may fluctuate significantly.

In addition to engaging in securities arbitrage activity, the Investment Funds and the Money Managers may invest and trade in the securities of companies that they believe are undervalued or which may become the target of a takeover. If the anticipated transaction in fact does not occur, or if the securities do not increase in value as anticipated, the Investment Fund or the Money Managers may sell them at no gain or at a loss.

**Repurchase and Reverse Repurchase Agreements Present Certain Risks.** The Investment Funds and the Money Managers may engage in repurchase and reverse repurchase agreements. In the case of default by the transferee of a security in a reverse repurchase agreement, the Investment Fund or the Partnership as transferor runs the risk that the transferee may not deliver the security when required. In the event of the bankruptcy or other default of a transferor of a security in a repurchase agreement, the Investment Fund or the Partnership as transferee could experience both delays in liquidating the underlying security and losses, including: (i) a possible decline in the value of the collateral during the period while the Investment Fund or the Partnership seeks to enforce its rights thereto; (ii) possible subnormal levels of income and lack of access to income during this period; and (iii) expenses of enforcing their rights.



## Item 9: Disciplinary Information

Prior to the date hereof, neither Praesideo nor any management person of Praesideo has been the subject of any material criminal, civil or administrative action, suit or proceeding within the last ten years.

## Item 10: Other Financial Industry Activities and Affiliations

The direct and indirect principal owners of Praesideo are Jeffrey D. Clark, Michael S. Loughton and Trevor W. Welch (*see* Item 1) (“Praesideo’s Owners”). Praesideo’s Owners are also principal owners of Praesideo Management, LLC, which is Praesideo of Praesideo. Jeffrey D. Clark is the managing member of Praesideo which is the General Partner of the following investment vehicles. The term 3c1 and 3c7 used below are structures that allow pooled investment vehicles to be excluded from the requirement to register as Investment Companies under the Investment Company Act of 1940. With the exclusion from the requirement to register includes limitations on the quantity and scope of underlying investors. For instance a 3c1 fund is constrained to <100 underlying investors with no more than 35 un-accredited / qualified investors. In addition these structures require limitations on advertising and perceived marketing to the “general public” in order to ensure the investment vehicles are being offered exclusively to investors considered accredited, qualified and/or sophisticated enough to invest in alternative investment structures such as hedge funds and private equity.

Praesideo Equity Partners, LP (1991) a 3c1 fund  
 Praesideo International Investors, LP (1993) a 3c1 fund  
 Praesideo Premier Fund, LP (2004) a 3c1 fund  
 Praesideo Prosper Fund, LP (2011) a 3c1 fund  
 Praesideo Energy Advisors, LP (2006) a 3c1 fund  
 Praesideo Private Equity Partners, LP (2006) a 3c1 fund

Prior Investment Vehicles: (These are investments vehicles previously managed by Praesideo, but no longer offered to investors and/or managing any assets whatsoever).

Praesideo International Partners (2004) a 3c1 fund  
 Praesideo Discovery Partners (1994) a 3c1 fund  
 Praesideo Japan Investors (2001) a 3c1 fund

Jeffrey D. Clark was previously the sole owner of J.D. Clark & Company and currently is an employee of the firm and continues to receive compensation for his services. Jeffrey D. Clark’s current role with J.D. Clark & Co. is that of Chairman. His contract with J.D. Clark & Co is set to expire in May of 2013. J.D. Clark & Company provides accounting and administrative services to private investment funds including Praesideo Funds. The accounting services J.D. Clark & Company provides for Praesideo include reconciliation of balances, wire transfer and treasury management services, anti-money laundering and client / underlying investment reporting services. Statements, financials, cash and other transactions including what is provided by J.D. Clark & Company are audited by an external auditing firm unrelated to J.D. Clark & Company. Currently Praesideo uses KPMG to audit the financials of any investment vehicles offered to outside investors (investors unaffiliated with Praesideo).

In addition, principals of the firm may serve from time to time on boards of directors and/or participate in paid expert networks for the purpose of enhancing the value of client investments. Currently Jeffrey D. Clark serves on the board of directors for Palladon Ventures a Canadian public entity. In addition Jeffrey D. Clark, Michael S. Loughton and Trevor W. Welch serve on the board of

directors and or advisors to various small private entities within Praesideo Private Equity Partners portfolio. Trevor W Welch currently serves as a paid expert to provide economic insight and financial market advice (not investment advice) to contract participants such as Investment Banks, Corporations, Financial and Management Consulting Firms.

#### **Item 11: Code of Ethics, Participation or Interest in Client Transaction and Personal Trading**

Praesideo has adopted a Code of Ethics pursuant to SEC Rule 204A-1 of the Investment Advisers Act. Praesideo will provide a copy of its Code of Ethics to any client or prospective client upon request. Each of Praesideo's employees is required to read, understand and comply with Praesideo's Code of Ethics, which is designed to ensure that Praesideo complies with applicable laws and regulations in an ethical and professional manner. The Code of Ethics governs and restricts personal investment transactions by Praesideo's employees. The Code of Ethics also addresses Praesideo's policies with respect to gifts and entertainment, confidentiality obligations, the manner in which violations of the Code of Ethics are to be reported and resolved and restrictions of outside activities of Praesideo's employees.

Praesideo's clients have agreed that Praesideo can recommend and/or buy or sell the same securities/financial instruments at the same time or after one or more of its other clients already has established a position in a security/financial instrument subject to applicable law and Praesideo's Code of Ethics. This ability to initiate transactions and/or personally trade similar securities to those securities eligible for Praesideo investment vehicles by related persons or employees of Praesideo creates an inherent conflict of interest. Praesideo code of ethics restricts the scope and controls the size of these transactions, nevertheless the potential conflict of interest exists in the ability for related parties to trade in their personal accounts.

Praesideo may at times determine that certain investments are suitable for more than one of its clients and attempt to purchase or sell short these investments at the same time for multiple clients. If Praesideo is not able to acquire the desired aggregate amount of such investments on terms and conditions which Praesideo deems advisable, it will endeavor to allocate in good faith the limited amount of such investments acquired among the various clients for which Praesideo considers them to be suitable. Praesideo makes such allocations among its clients based on the followings considerations: relative account sizes, funds available for investment, diversification considerations, the degree of risk involved in the investments acquired, and the extent to which a position in such investments is consistent with the investment policies and strategies of the various clients involved.

When Praesideo attempts to purchase or sell the same securities at or about the same time for more than one of its clients, Praesideo will typically use a "batching" procedure, meaning that Praesideo will place one aggregated order for execution for its clients. In some cases, it is possible that batching orders for different clients may affect adversely the price paid or received or the size of the position purchased or sold. In most cases, however, the practice of batching orders results in brokerage cost savings and block transactions effected at more favorable prices. Praesideo is not required to aggregate trades but will do so when it believes that it can obtain better prices and lower execution costs.

All covered persons of the Manager are required by the Manager's Code of Ethics to submit to the Compliance Officer:

(i) duplicate copies of trade confirmations (subject to diminimus rule); and

(ii) the Covered Person's monthly and quarterly brokerage statements. In addition, all Covered Persons are required by the Manager's Code of Ethics to submit upon commencement of employment with the Manager, a statement listing all of the:

- securities in which the Covered Person has any beneficial ownership;
- business activities in which the Covered Person has a significant role; and
- the names of any brokerage firms where the Covered Person maintains an account.

In addition, the Manager's Code of Ethics requires Covered Persons to

obtain the prior written approval of the Compliance Officer before engaging in any personal securities transaction, subject to stated exemptions in the compliance and code of ethics manuals.

#### Other Code of Ethics Provisions

The Manager's Code of Ethics contains other restrictions on the personal securities trading of Covered Persons. The Manager's Code of Ethics is incorporated by reference into this policy. A personal securities transaction that would be permissible under the Code of Ethics is nevertheless still subject to this policy.

- i. **Acknowledgment.** All Covered Persons are required annually to sign and acknowledge their familiarity with the provisions of this Code of Ethics by signing a form of acknowledgment. In addition, any situation which may involve a conflict of interest or other possible violation of this Code of Ethics must be promptly reported to the Compliance Officer who must report to the executive management of the Manager.
- ii. **Review of Transactions.** Each Covered Person's transactions in his/her Personal Account will be reviewed on a regular basis and compared to transactions entered into by the Manager for clients. Any transactions that are believed to be a violation of this Code of Ethics will be reported promptly to the Compliance Officer who must report to the executive management of the Manager.
- iii. **Sanctions.** The executive management of the Manager, with advice of legal counsel, at his discretion, shall consider reports made to him and upon determining that a violation of the Code of Ethics has occurred, may impose such sanctions or remedial action as he deems appropriate or to the extent required by law. These sanctions may include, among other things, disgorgement of profits, suspension or termination of employment with the Manager, or criminal or civil penalties.

## **Item 12: Brokerage Practices**

### **Best Execution; Commissions; Fees**

It is expected that underlying investment funds and managers utilized by the Manager will allocate their brokerage business generally on the basis of "best execution" for their advisory clients and in consideration of such brokers' provision of brokerage, research and related services. In selecting brokers or dealers to execute transactions, underlying managers may not necessarily solicit competitive bids and may not have an obligation to seek the lowest available commission cost. It may not be the practice of such underlying managers to negotiate "execution only" commission rates, and thus the investment vehicle managed by such underlying manager may be deemed to be paying for research and other services provided by the broker which are included in the commission rate. Research furnished by brokers may include, but is not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; statistic and pricing services, as well as discussions with research personnel, along with hardware, software, data bases and other technical and telecommunication services and equipment utilized in the investment management process. Research services obtained by the use of commissions arising from such investment vehicle's portfolio transactions may be used by the underlying manager in its other investment activities. Underlying managers may also be paying for services other than research which are included in the commission rate. These other services obtained by the underlying managers may include, without limitation, office space, facilities and equipment; administrative and accounting support; supplies and stationery; telephone lines, usage and equipment and other items which might otherwise be treated as an expense of the manager. To the extent an underlying manager utilizes commissions to obtain items which would otherwise be an expense of the manager such use of commissions in effect constitutes additional compensation to the manager. It is noted that certain of the foregoing commission arrangements are outside the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended, which permits the use of commissions or "soft dollars" to obtain "research and execution" services. Finally, it is noted that since commission rates are generally negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may result in higher transaction costs than would otherwise be obtainable.

It is the Manager's policy, when purchasing securities for more than one of its advisory clients (i.e., bunching of orders), to purchase the quantity of such securities necessary to supply all advisory clients and to then average the aggregate costs over all securities purchased. Related benefits to such

advisory clients also will be averaged over the securities purchased. The Manager's Aggregation and Allocation policy is available via the company compliance manual.

Portions of Praesideo Prosper portfolio is responsible for the placement of the portfolio transactions for its hedge fund clients and the negotiation of any commissions or spreads paid on such transactions. Portfolio investments normally will be purchased through brokers on securities exchanges or directly from the issuer or from an underwriter or market maker for the investments. Purchases of portfolio investments through brokers may involve a commission to the broker. Purchases of portfolio investments

from dealers serving as market makers include the spread between the bid and the asked price. In placing portfolio transactions and negotiating commission rates, Praesideo seeks to obtain best execution, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker; (iv) the reputation of the broker; (v) the firm's risk in positioning a block of securities; (vi) efficiency of execution and error resolution; (vii) the quality, comprehensiveness and frequency of available research services considered to be of value; and (viii) the competitiveness of commission rates in comparison with other brokers satisfying Praesideo's other selection criteria. Praesideo is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with such investment and research information or to pay higher commissions to such firms if Praesideo determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. Praesideo is not required to weigh any of these factors equally. Since commission rates in the United States are negotiable, Praesideo's selection of brokers on the basis of considerations which are not limited to applicable commission rates may at times result in Praesideo's clients being charged higher transaction costs than they could otherwise obtain. Receipt by an investment adviser of products and services provided by brokers, without any cash payment by an investment adviser, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment adviser's clients is commonly referred to as "soft dollars." Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a "safe harbor" to investment advisers with respect to potential liability for violating their duty to obtain best execution for a client's securities transactions in circumstances in which such advisers use soft dollars generated by their advised accounts only for purposes of obtaining investment research and brokerage services (i) that provide lawful and appropriate assistance to the investment adviser in the performance of investment decision making responsibilities and (ii) where the commissions paid are reasonable in relation to the value of the services provided.

Praesideo does not currently engage in any soft dollar transactions and does not intend to engage in any soft dollar transactions other than with respect to products and services which fall within the Section 28(e) safe harbor or where such products or services would otherwise be properly chargeable to Praesideo's clients. Praesideo is not required to allocate either a stated dollar or stated percentage of its brokerage business to any broker for any minimum time period, and will review such relationships from time to time. The same level of brokerage policies and practices required for underlying investment fund managers will apply to any direct brokerage practices by the firm outside of separate investments made for the investment vehicles.

### **Item 13: Review of Accounts**

Praesideo's client portfolios are reviewed by Praesideo's portfolio managers. Such reviews include the assessment of profit and loss reports with respect to investment positions in a client account. Client investments are evaluated based on performance, company fundamentals, analyst reports, general market conditions, technical analysis and domestic and international events that may affect the investments.

Praesideo's chief compliance officer reviews investment portfolios at least quarterly. Praesideo receives from the administrator of Praesideo hedge funds discussed in Item 10 above written periodic unaudited performance reports monthly and provides them to these underlying investors. The reports contain information used to calculate changes in Praesideo managed hedge funds' net asset values. Praesideo also provides underlying investors in the investment vehicles with annual audited financial statements of the respective investment vehicle the investor is invested in. Praesideo provides to its investment adviser clients and/or underlying investors written monthly unaudited reports containing information used to calculate the change in the net asset value of the assets under Praesideo's management. Praesideo currently employs KPMG as auditor for the investment vehicles. In the case of Praesideo Energy Advisors, the entity is a no management fee pass through vehicle pooled into one closed investment which is audited by the accounting firm Melton and Melton and reviewed by Praesideo's Chief Compliance Officer.

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

The Manager may not make cash payments to a third party "solicitor"<sup>1</sup> unless the fees are paid pursuant to a written agreement.

- (a) The written agreement between the Manager and the solicitor must describe the solicitation activities to be engaged in and the compensation to be paid and contain an undertaking by the solicitor to perform his duties in compliance with the instructions of the investment adviser and the provisions of the Advisers Act. The agreement must also require the solicitor to provide each advisory client, at the time of any solicitation activities, with a copy of the Manager's Brochure and a separate written disclosure statement describing the relationship and material terms of the agreement between the solicitor and the Manager;
- (b) The written disclosure document required to be delivered by the solicitor must contain the following information: (i) name of solicitor; (ii) name of investment adviser; (iii) nature of relationships, including any affiliations, between investment adviser and solicitor; (iv) statement that the solicitor will be compensated for his solicitation services and the terms of the compensation arrangement; and (v) whether the advisory client will pay a specific charge or a higher advisory fee because the solicitor recommended the investment adviser to the advisory client;

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<sup>1</sup> The term "solicitor" is defined in Rule 206(4)-3 to mean any person who, directly or indirectly, solicits any client for, or refers any client to, an investment adviser, and the term "client" includes a prospective client. A person could be a solicitor within this definition if such person supplies the names of advisory clients to an investment adviser, even if such person does not specifically recommend to the advisory client that the advisory client retain that investment adviser.

- (c) The solicitor who would receive a cash referral fee must be licensed, under The Utah Uniform Securities Act as an investment adviser or investment adviser representative or be licensed and associated with a registered Broker/Dealer.
- (d) The Manager must obtain from the advisory client prior to, or at the time of, entering into an oral or written advisory contract, a signed and dated acknowledgment of receipt of the Manager's Brochure and the solicitor's disclosure statement;
- (e) The Manager must make a bona fide effort to ascertain whether, and has a reasonable basis for believing that, the solicitor has complied with the written agreement; and
- (f) The solicitor who would receive a cash referral fee must not be a person who has been convicted of certain acts, or statutorily disqualified from associating with an investment adviser.

To the extent the Manager engages any such solicitors, the Manager is required to maintain copies of written agreements with such solicitors, advisory client's acknowledgments, and the written disclosure statements furnished by the solicitor to the Manager's advisory clients. Praesideo has current solicitation agreements in place with Mann, Mann & Jensen (registered Broker/Dealer based in New York City) and Long Gray Line Consulting, LLC (Investment Advisor firm based in Connecticut). Any new referral fee arrangements must be approved by the Compliance Officer.

**Item 15: Custody**

Praesideo is deemed to have constructive custody of its hedge fund clients' assets because it is authorized to cause a portion of these clients' assets to be withdrawn to pay management and performance fees owed to Praesideo. Custody of Praesideo's Direct Securities and Cash clients' assets, however, will be held at a broker-dealer, bank or trust company, not at Praesideo. Currently, Praesideo cash and direct security assets are custodied at (and transactions cleared and settled by) Wells Fargo Bank, LLC, Charles Schwab and Interactive Brokers. Praesideo is not committed to continue its clearing, brokerage and custodial relationship with Wells Fargo or Interactive Brokers for any minimum period, and may enter into custody and clearing relationships with other agents.

**Item 16: Investment Discretion**

Praesideo has discretionary authority to make investments on behalf of all of its hedge fund clients. Praesideo is granted such authority in written investment advisory agreements that it has with these clients. Pursuant to these agreements, these clients have not placed limitations on the discretionary investment authority they have granted to Praesideo.

**Item 17: Voting Client Securities**

In proxy voting and matters of client voting securities, Praesideo takes care to vote in the best interest of the client according to Praesideo's discretion.

**Item 18: Financial Information**

The audited Praesideo, General Partner account value in the investment vehicles is in excess of \$1M on an unlevered basis as of 12/31/2011 and therefore complies with the minimum net worth requirement for registration with the State of Utah.

**Item 19: Requirements for State-Registered Advisers**

This Item is not applicable to Praesideo.