



## Clarity Managed Account & Analytics Platform, LLC

### Form ADV Part 2A

*As of Dec 31, 2017*

This Brochure provides information about the qualifications and business practices of Clarity Managed Account & Analytics Platform, LLC ("Clarity"). If you have any questions about the contents of this Brochure, please contact us at 212-596-3480. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

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## Item 2: Material Changes

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On September 30, 2017, Clarity Managed Account & Analytics Platform, LLC and its CTA Choice Fund ceased to operate. The managers on the platform were redeemed in full. Investors were paid in full.

AUM as of the closing of the Clarity platform – September 30, 2017 -- is updated in Item 4.

On December 29, 2017, Clarity Managed Account & Analytics Platform, LLC filed a withdrawal request with the NFA/CFTC to de-register as a CTA/CPO.

On December 31, 2017, the majority owner of Kenmar Olympia, LLC, the 100% owner of Clarity Managed Account & Analytics Platform, LLC, abandoned its membership interest and the full ownership of Kenmar Olympia, LLC was assumed by the minority owner, the Delaware based Bustan Trust.

On January 16, 2018, the audited financial statements were finalized and, along with the final pool financial statements, were filed with the NFA.

On January 28, 2018, the withdrawal request to de-register with the NFA was approved.

On February 8, 2018, Clarity Managed Account & Analytics Platform, LLC was dissolved as a Delaware company.

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## Item 4: Advisory Business

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Clarity Managed Account & Analytics Platform, LLC was originally established in April 2009 and converted to Clarity Managed Account & Analytics Platform, L.P. in July 2012. In March 2014, it converted to Clarity Managed Account & Analytics Platform, LLC (“**Clarity**”). Upon such conversion to a limited liability company, Clarity became the wholly owned subsidiary of Kenmar Olympia, LLC, a Delaware limited liability company directly owned by C-Gaia, Inc. and Bustan Trust.

On March 20, 2014, Kenmar Olympia, LLC purchased the outstanding limited partnership interests of Clarity from Kenmar Group Inc. and Kenmar Olympia Group, LP. On, December 31, 2017, Kenmar Olympia, LLC, became 100% owned by the Bustan Trust following C-Gaia, Inc. abandonment of its membership interest.

On September 30, 2017, Clarity Managed Account & Analytics Platform, LLC, including its CTA Choice Fund ceased to operate. Then audited financial statements were finalized and, along with the final pool financial statements, were filed with the NFA on January 16, 2018, then, on January 28, 2018, the withdrawal request to de-register as a CTA/CPO was approved by the NFA and finally, on February 8, 2018, Clarity Managed Account & Analytics Platform, LLC was dissolved as a Delaware company.

Clarity managed investments across a broad range of products and services including a proprietary managed account platform (“**Clarity Managed Account Platform**”) which provided customized solutions (both in pooled vehicles and segregated managed accounts, “**Clarity Funds**”);

In addition to its advisory business, Clarity served as the managing member of CTA Choice Fund LLC (“CTA Choice”), a Delaware limited liability company organized in multiple series (each, a “**CTA Choice Fund**”). Each CTA Choice Fund in turn invests in a managed account (“**Managed Account**”) that is managed by an unrelated third-party alternative investment manager (each, a “**Manager**”) where trading is generally limited to global futures, options, forward contracts, currencies, commodities, swaps and/or other derivative instruments, but may offer other investment strategies from time to time.

The Clarity Managed Account Platform was a managed account and analytics platform that gave institutional and large private investors clear, transparent access to Managers through managed accounts along with a comprehensive set of reports and risk analytics. Each Clarity Fund was generally managed in accordance with the same investment guidelines as the Manager’s own flagship fund and/or other managed accounts managed by the Manager. Thus, the performance of the Clarity Fund was designed to approximate the performance of the Manager’s fund and/or other managed accounts. Investors in the Clarity Funds could benefit from independent valuation, reporting, risk monitoring and liquidity. The Clarity Funds were intended to offer investors more frequent liquidity than a Manager’s own fund.

Clarity was responsible for overseeing the operation and administration of the Clarity Funds and for oversight of the Managers, including (i) negotiating all agreements, including service agreements and investment management agreements; (ii) performing initial and ongoing due diligence on the Managers; and (iii) monitoring the trading and performance of the Managers for compliance with each Manager’s trading and risk management policies; and (iv) where appropriate, terminating a Manager. Clarity was able to engage the services of its affiliates and or third parties to perform these functions.

Certain advisory clients and/or private investment funds or pools (collectively, “**Private Funds**”) managed by affiliates of Clarity could invest in one or more Clarity sponsored Funds, as well as in CTA Choice.

The Managed Accounts could invest, at the discretion of the applicable Manager for each Managed Account, in a wide and substantially unrestricted variety of securities and other financial instruments. The details of the investments of in which each Managed Account may invest are found in the respective Clarity offering memorandum, Clarity Supplement and related documents (collectively, “Offering Documents”).

Important information regarding an investment Clarity including information about the Managers responsible for making the trading and investment decisions for the Managed Accounts, the specific

investment strategies and policies of each, fees and expenses, risk factors and other material terms, are set forth in the respective Offering Documents.

As of September 30, 2017, Clarity served as the investment manager for approximately \$9,283,145 in assets under management.

## Item 5: Fees and Compensation

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Clarity generally received a fee for overseeing the operation, administration and oversight of the Clarity Funds and Managers, including (i) negotiating all agreements, including service agreements and investment management agreements; (ii) performing initial and ongoing due diligence on the Managers; (iii) monitoring the trading and performance of the Managers for compliance with each Manager's trading and risk management policies; and (iv) where appropriate, terminating a Manager (the "Administrative Services Fee").

Clarity generally charged an Administrative Services Fee range of 0.00% to 1.00% of assets invested per annum, but it could be higher depending upon the level of additional services requested and/or the total assets the Shareholder has invested in Clarity investment funds managed by Clarity and/or its affiliates. This fee could differ among different investors and the Administrative Services Fee were paid monthly. Fees charged in arrears were prorated, and those charged in advance were refunded for any partial period.

The Administrative Services Fee paid to Clarity was deducted from the Clarity Fund assets. The Clarity Funds also paid certain other fees and expenses which were also deducted from the Clarity Fund assets such as brokerage, custody, clearing, transaction and give-up fees, withholding taxes, legal, administrative, registration and regulatory costs, operational due diligence costs, regulatory reporting, offering costs, and audit & tax preparation fees. The Clarity Funds paid each Manager a management fee and/or an incentive fee. All such fees and expenses and other important information regarding an investment in the Clarity Funds were more fully set forth in the Offering Documents.

Certain Private Funds managed by affiliates of Clarity could invest in the Clarity Managed Account Platform and such Private Funds would also bear their pro-rata share of the fees and expenses of such Clarity Funds and/or Managed Accounts detailed above, including the Administrative Services fee paid to Clarity. The details of the fees and expenses paid by the Private Funds were more fully set forth in their respective Offering Documents.

Clarity generally received no performance-based fees.

Certain supervised persons of Clarity could receive a bonus based in part on the assets managed by Clarity and its affiliated advisers (together, "Kenmar"). Such persons were also registered with Kenmar Securities, LLC ("KSEC"), an affiliate of Clarity, and a broker-dealer registered with the U.S. Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). See Item 10 below for additional information about Clarity's affiliates, including KSEC.

This practice could present a conflict of interest as it gives Clarity and/or its supervised persons an incentive to recommend the investment advisory services of Kenmar taking into account the fact that compensation could have been received based upon an increase in Kenmar's assets. We do not believe this conflict to be material because, among other things, such supervised persons were not incentivized to sell one investment product over another and thus would generally consult with each prospective investor to select the investment product(s) most appropriate for their specific investment objectives and requirements. Further, the relationship between Clarity and its affiliates was disclosed to Clients and investors.

In addition, Clarity had in place fee sharing arrangements, generally between 0.00% and 1.00% with certain Managers on the platform where a percentage of the Manager's fees were shared with Kenmar Securities, LLC or 3<sup>rd</sup> party referral agents for the purpose of identifying qualified investors for the Manager's account.

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

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Clarity did not receive performance-based fees.

## Item 7: Types of Clients

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Clarity served as investment manager for the Clarity Funds and interests were available to investors that met the respective investment eligibility criteria. In its discretion, Clarity could have entered into side letter arrangements with certain investors in certain Clarity Funds ("Side Letter Investors") without the consent of, or notification to other investors, whereby Clarity and a Side Letter Investor had agreed (or could agree in the future) to vary the Side Letter Investor's investment terms from those made available to other investors in Clarity Funds, including but not limited to (1) the greater availability to the Side Letter Investor of certain information, disclosures and/or reports (including personnel or other changes to Clarity or the Clarity Fund, or portfolio holdings and other information concerning the Clarity Fund's investments or the Side Letter Investor's investment), (2) the timing of the delivery to the Side Letter Investor of such information or other Clarity Fund information, disclosures and/or reports, and (3) certain other investment terms, including but not limited to reduced fees to be charged to a Side Letter Investor (management and/or incentive), shorter notice periods for redemption, more frequent dates for redemptions, redemption payouts, and/or timing for subscriptions. As a result, certain Side Letter Investors could have been able to act (i.e., request redemptions) on such additional information that other investors did not receive. Granting more favorable liquidity terms to certain investors could have had a material adverse effect on investors not receiving such terms. A Clarity Fund also could issue additional classes that were subject to such different terms and conditions which were similar or the same as a side letter arrangement.



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

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### A. Methods of Analysis

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In evaluating Managers, Clarity (either directly or through its affiliates) performed manager due diligence, applying a “bottom up” approach. Clarity conducted quantitative and qualitative analysis, including an evaluation of the risks assumed by each manager and strategy, in order to fully understand the strengths and weaknesses of the individual investment strategies and performance of each manager. Clarity also performed operational due diligence on each Manager’s infrastructure, middle-office and back-office and review of all relevant documents and confirmation that specific trade and operating procedures are documented and followed in practice. The process was designed to ensure that Kenmar comprehended the relevant information about the manager.

Clarity generally choose Managers for the Clarity Funds that sought to exploit a broad array of investment opportunities worldwide. Clarity identified Managers that, in the opinion of Clarity, offered the potential for risk-adjusted returns within the context of the current market environment.

Clarity & KPI, acting as the asset allocator for the Clarity Funds when hired in such capacity by an investor, allocated client assets in accordance with the specific investment objectives set forth by the investor. See Items 4 above and 10 below.

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### B. Investment Strategies

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Clarity ceased operating with one investment strategy (a “**Strategy**”) through a Clarity Fund, as described briefly below. Clarity could add, modify and/or remove Strategies at any time pursuant to the Offering Documents.

Each Clarity Fund had its own clearly-defined investment objectives and strategies that were implemented by a Manager selected by Clarity, affiliates of Clarity and/or by investors. In all cases the Managers underwent Clarity’s due diligence and had to be approved by Clarity’s Investment Committee. The Clarity Funds were intended to take advantage of investment opportunities in commodities, futures, options, forward contracts, currencies, swaps and/or other derivative instruments.

Clarity could add, modify and/or remove Strategies at any time pursuant to the Offering Documents.

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## C. Risk of Loss

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

An investment in Clarity Funds involved a high degree of risk and may not have been suitable for all investors. Clarity Funds were highly speculative and investors could lose all or a substantial portion of their investment. Investors must have the financial ability, sophistication/experience and willingness to bear the risks of such an investment. An investment in Clarity Funds should be discretionary capital set aside strictly for speculative purposes.

Clarity Funds were unregistered funds or pools that could invest and trade in many different markets, strategies and Investment Interests (including securities, commodity interests and derivatives) and were NOT subject to the same regulatory requirements as mutual funds, including mutual fund requirements to provide certain periodic and standardized pricing and valuation information to investors. Similarly, they could also invest and trade in a wide variety of investment instruments and were similarly unregistered and NOT subject to the same regulatory requirements as mutual funds. They were not guaranteed by the FDIC or by any bank and they could have lost value.

Clarity Funds were illiquid investments and could be subject to significant restrictions regarding transfers. There was no secondary market for an investment in Clarity Funds and none were expected to develop.

The Offering Documents were not reviewed or approved by federal or state regulators.

The Clarity Funds could have had substantial fees and expenses, which could offset trading profits. Clarity Funds also could use leverage, execute a substantial portion of trades on foreign exchanges and trade commodity interests. The risk of loss from such activities was substantial and could have increased the volatility of performance.

There was no guarantee that The Clarity Funds could achieve their goals, objectives, or targeted returns.

Clarity and its principals, officers and supervised persons devoted such time as they deemed necessary for the management of the Clarity Funds. However, Clarity and its principals, officers and supervised persons were involved, from time to time, with other related investment management activities and consequently did not devote all of their time specifically to any one client. However, this could have been mitigated by the fact that Clarity employed a solid group of investment and administrative professionals who devoted time and attention to the business and affairs of Clarity and its clients as they, in their discretion, deemed reasonably necessary.

The Managers could at certain times hold a few, relatively large positions (in relation to their assets), with the result that a loss in any position could have a material adverse impact on the Clarity Funds' assets.

The Manager of each Clarity Fund had the overall responsibility for making investment and trading decisions. Therefore, the Clarity Fund relied almost exclusively on the judgment and ability of its Manager. No assurance could have been given that the advice of a Manager would result in profitable trades for its Strategy or that the applicable Strategy would not incur substantial losses.

To achieve a Strategy's investment objective, its Manager would trade Investment Interests. Investment Interests are speculative and may involve substantial risk of loss. The prices of Investment Interests are highly volatile and market movements are difficult to predict. Supply and demand for Investment Interests change rapidly and are affected by a variety of factors, including interest rates, rates of inflation and general trends in the overall economy or particular industrial or other economic sectors. Government actions, especially those of the Federal Reserve Board and other Central Banks, have a profound effect on interest rates that, in turn, affect the price of Investment Interests. In addition, there are a variety of other factors that are inherently difficult to predict, such as domestic and international political developments, governmental trade and fiscal policies, monetary and exchange control programs, currency devaluations and revaluations, emotions of the marketplace, patterns of trade and war or other military conflict. None of these factors could be controlled by a Manager.

The Managers could also manage other accounts (including other funds, related and unrelated, as well as accounts in which the Managers may have had an interest) which may employ different or similar trading strategies, and which together with accounts already being managed could increase the level of competition for the same trades, including the priorities of order entry. These factors could make it costly or impossible to take or liquidate a position in a particular Investment Interest.

Trading decisions made by each Manager could be based on the judgment of one or a limited number of key individuals (each, a “Key-Man”). If any Key-Man were to die or become incapacitated or otherwise terminate his relationship with a Manager, such event could have had a material adverse effect on the applicable Clarity Fund and its performance.

General economic and business conditions could affect a Manager’s activities. Unexpected volatility or illiquidity in the markets in which Clarity Funds, directly or indirectly, held positions could have impaired the Clarity Fund’s ability to carry out its business or cause it to incur losses. Moreover, although there could be no assurance that they would, certain Managers trade profitably during periods when major price movements occur. Such movements generally occur in any given market only infrequently, and during periods of static or “whipsaw” markets it is unlikely that those Managers could achieve profits for a Clarity Fund.

Managers could employ various risk reduction strategies designed to minimize the risk of their trading positions. A substantial risk remains, nonetheless, that such strategies would not always be possible to implement and even when possible would not always be effective in limiting losses. If a Manager analyzes market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with a Manager’s investments, such risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These risk reduction techniques could also have increased the volatility of a Clarity Fund and/or resulted in a loss if the counterparty to the transaction did not perform as promised.

Substantially all trading in commodities and futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain Investment Interests, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures trading involves trading in contracts for future delivery of standardized, rather than specific, lots of particular assets.

Futures prices are highly volatile. Price movements for the futures contracts that the Managers could trade were influenced by, among other things, changing supply and demand relationships, government, trade, fiscal, and economic events, and changes in interest rates. Governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly.

The CFTC has jurisdiction to establish, or cause exchanges to establish, position limits with respect to all commodities traded on exchanges located in the U.S. and may do so, and any exchange may impose limits on positions on that exchange. No such limits presently exist in the forward contract market or on certain non-U.S. exchanges. Insofar as such limits do exist, all commodity accounts owned, held, controlled or managed by a Manager and its principals and affiliates may be combined (that is, aggregated) for position limit purposes.

U.S. commodity exchanges may limit fluctuations in futures contracts prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” In addition, even if futures prices have not moved the daily limit, a Manager may not be able to execute futures trades at favorable prices if little trading in such contracts is taking place (a “thin” market).

Futures are typically traded on “margin.” The “margin” is the amount of escrow or performance bond deposit that a Clarity Fund will have to make and maintain with its futures commission merchants (futures brokers) to secure its future obligation to close out open positions. The initial margin requirements may be satisfied by the deposit of cash (or, in some U.S. markets, certain U.S. Government obligations). The open positions must be “marked to market” daily, requiring additional margin deposits if the position reflects a loss that reduces a Clarity Fund’s equity below the level required to be maintained and permitting release of a portion of the deposit if the position reflects a gain that results in excess margin equity. The level of margin that must be maintained for a given position is sometimes subject to increase, requiring additional cash outlays. In the

futures markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that any futures contract trading typically is accompanied by a high degree of leverage. Because margin requirements normally range upward from as little as 2% or less of the total value of the contract, a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially great value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin. Such a profit or loss may materialize suddenly, since the prices of futures frequently fluctuate rapidly and over wide ranges, reflecting both supply and demand changes and changes in market sentiment.

Depending upon the amount of assets managed overall by a Manager, it could be difficult or impossible for the Manager to take or liquidate a position in a particular commodity, method or strategy.

Important information regarding an investment in the Clarity Funds, including the specific investment strategies and techniques employed by the Manager to each Clarity Fund and the risks associated with each Strategy, as well as other material terms, were more fully set forth in the Offering Documents.

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## Item 9: Disciplinary Information

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Clarity does not have any material legal or disciplinary events to disclose with respect to itself or its employees.

## Item 10: Other Financial Industry Activities and Affiliations

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Clarity was registered as a commodity pool operator and commodity trading advisor under the Commodity Exchange Act ("**CEA**") with the CFTC and is a member of the National Futures Association ("**NFA**").

Clarity is part of Kenmar Olympia, LLC; two of Clarity's affiliates are described below:

Kenmar Preferred Investments, LLC ("**Kenmar Preferred**"), an affiliate of Clarity, is registered as an investment adviser under the Advisers Act with the SEC and as a commodity pool operator and commodity trading advisor under the CEA with the CFTC and is a member of the NFA. The following members of Clarity's management and employees are registered as APs of Kenmar Preferred with the NFA: Melissa Cohn, Richard Blum, Michael Lawsky and Kenneth A. Shewer.

Kenmar Securities, LLC ("**KSEC**"), an affiliate of Clarity, is a broker-dealer registered with the SEC, and is a member of the Financial Industry Regulatory Authority ("**FINRA**"). KSEC may solicit potential investors for Private Funds managed by Clarity and receive compensation for such services. Such arrangement could create certain conflicts of interest because KSEC and its employees are not neutral third parties and may be compensated based on their ability to sell interests in the Private Funds.

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

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Clarity strived to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. As such, Clarity adopted a Code of Professional Conduct (“Code”) which describes Clarity’s high standard of business conduct, and fiduciary duty to its clients. The Code of Professional Conduct included provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All Employees were required to acknowledge the terms of the Code annually, or as amended.

Clarity’s principals, officers, supervised persons and related accounts (“Employees”) were permitted to maintain personal trading accounts provided that such accounts are disclosed to Clarity and are held at designated brokerage firms.

Any personal trading by Employees must have been consistent with applicable law and with the Code. Subject to compliance with applicable laws, rules and regulations and the Code, Employees could buy, sell or hold for their own personal trading accounts securities that Clarity could buy, sell or hold for its clients. Employee investments in Clarity Funds were permissible subject to compliance with the Code, pre-approval, and a determination that no material conflict of interest exists.

The Code contained policies and procedures that, among other things:

- prohibited Employees from taking personal advantage of opportunities belonging to clients;
- prohibited trading on the basis of material nonpublic information;
- required pre-clearance of any private placements (including investments in hedge funds, fund-of-funds, private equity funds, venture capital funds and other unregistered pooled investment vehicles) and “new issues”;
- required initial and annual reports of securities holdings by Employees, as well as copies of monthly and/or quarterly account statements and trade confirmations; and
- Prohibited trading by Employees of securities of any issuers on Clarity’s restricted issuer list.

Subject to satisfying this policy and applicable laws, Employees of Clarity and its affiliates could trade for their own accounts in securities which were recommended to and/or purchased for Clarity’s clients. The Code was designed to assure that the personal securities transactions, activities and interests of the Employees of Clarity will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing Employees to invest for their own accounts. Under the Code certain classes of securities were designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Clarity’s clients. Employee trading and identified brokerage accounts are also continually monitored under the Code via Compliance11, an internet-based compliance monitoring application, and to reasonably prevent conflicts of interest between Clarity and its clients.

Clarity’s Code also addressed misappropriation of material nonpublic or proprietary information (e.g., insider trading) and outside business activities. Clarity’s insider trading prohibitions (i) applied to all Employees, (ii) extended to activities within and outside their duties as Employees of Clarity, and (iii) applied to Investment Interest-related information that is internal to Clarity. Employees were permitted to engage in outside business activities provided these activities did not create an actual or material conflict of interest due to the amount of time spent on such activities and the investment-related nature of certain activities.

Investors or prospective investors may request a copy of the Code by contacting Clarity’s Investor Services at 212-596-3480.

## Item 12: Brokerage Practices

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Clarity served as investment manager for the Clarity Funds. As such, Clarity selected the clearing brokers for the Clarity Funds. Limitations on Clarity's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling clients' accounts, (ii) the investment strategies and objectives of the Clarity Funds, and (iii) with respect to the Clarity Funds, the Clarity Funds' Offering Documents.

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### A. Clearing Brokers

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Clarity would generally select the clearing brokers through which all transactions in each Managed Account would be cleared and settled. Clearing brokers that a Clarity Fund would utilize directly and which had custody of such Clarity Fund's cash (including subscription proceeds) and investments will meet the definition of "Qualified Custodian" under amended Rule 206(4)-2 under the Advisers Act. Investments and cash (including subscription proceeds) held by such Clearing brokers were maintained in a custodial account in the name of Clarity Managers on behalf of and for the account of each Clarity Fund.

As more fully described below for the Managers' selection of executing brokers, in selecting clearing brokers for Managed Accounts, Clarity would not adhere to any rigid formulas in making their selection but will weigh a combination of the criteria, including whether the clearing broker will provide investor referrals and if the clearing broker has been recommended by the respective Manager, and would make good faith determination.

Clarity may replace existing clearing brokers or select additional clearing brokers at any time without notice to the investors. Clarity was responsible for monitoring the custody arrangements for the Managed Account held by each Clarity Fund.

The Offering Documents typically set forth disclosures relating to the Clarity's brokerage placement practices.

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### B. Executing Brokers

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A Manager would select the executing brokers that would be used to execute the transactions in the relevant Managed Account. In selecting executing brokers to execute transactions, the Managers need not solicit competitive bids and did not have an obligation to seek the lowest available commission cost. Also, they were not obligated to (and could not) negotiate "execution only" commission rates. As such, Clarity Funds could be deemed to be paying for other products and services provided by the executing broker which are included in the commission rate. In selecting executing brokers, it is expected that Managers would take into account the executing broker's reliability, reputation, financial strength and responsibility, stability, ability to execute trades, block trading and block positioning capabilities, nature and frequency of sales coverage, net price, depth of available services, co-location services, operations, market making, the availability of stocks to borrow for short trades, willingness to execute related or unrelated difficult transactions in the future, order of call, back office, processing and special execution capabilities, efficiency of execution, error resolution and execution or commission rate.

In selecting securities executing brokers, the Managers also would take into account the value of certain products and/or services (whether or not for research purposes, in whole or in part), either provided by an executing broker, or paid for by an executing broker (either by direct or reimbursement payments (in whatever form) or by commissions, mark-ups or credits or by any other means) to be provided by others (collectively, "Products and Services"). Products or Services could have been in any form (e.g., written, oral or on-line) and could include research products or services and other products and services. A Manager's use of Products and Services could have or may not have met the "safe harbor" of Section 28(e) of the Securities Exchange Act of 1934, as amended.



Research could include, among other things, proprietary research from executing brokers, which could be written or oral. Research Products and Services could include, among other things, research concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, data on pricing and availability of securities, non-mass-marketed financial publications, electronic market quotations, performance measurement services, analyses concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, data on pricing and availability of securities, analyses concerning specific securities, companies, industries or sectors and market, economic and financial studies and forecasts.

In some instances, a Manager seeking to rely on the safe harbor of Section 28(e) could receive a research product or service that could be used for both research and non-research purposes. In such instances, it was expected that the Manager would make a good faith effort to determine the relative proportion of the research used to assist the Manager in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other non-research purposes. The proportion of the research attributable to assisting the Manager in carrying out its investment decision-making responsibilities was expected to be paid through brokerage commissions generated by client transactions; the proportion attributable to administrative or other non-research purposes was expected to be paid for by the Manager from its own resources. The receipt of “mixed-use” research products and services and the determination of the appropriate allocation creates a potential conflict of interest between the Manager and its clients, including the Clarity Funds, regarding the executing brokers it selected.

Generally, Managers did not adhere to any rigid formulas in making their selection of executing brokers, but weighed a combination of the criteria set forth above. In recognition of the value of overall brokerage services provided by an executing broker, Managers could select an executing broker that charges brokerage commissions in excess of that which another executing broker might have charged for effecting the same transaction. In connection therewith, Managers would make a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage services received, viewed in terms of either the specific transaction or Clarity Fund transactions overall. In exchange for the direction of commission dollars to certain executing brokers, credits could be generated which may be used by the Managers to pay for the Products and Services provided by, or paid by, such executing brokers.

The Offering Documents detailed more fully the applicable brokerage placement practices.

## Item 13: Review of Accounts

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Clarity's Investment Committee ("IC") met periodically. The IC's responsibilities included: (i) preparing (either directly or through its affiliated companies) all due diligence of its prospective managers and approving of the Managers; (ii) reviewing (either directly or through its affiliated companies) each Clarity Fund on an ongoing basis with respect to such fund's policies, guidelines, strategies and operations; (iii) reviewing the performance and/or trading of each Manager; (iv) performing (either directly or through its affiliated companies) ongoing due diligence of the Managers; and, (iv) where appropriate, terminating a Manager.

Investors in the Clarity Funds were provided with (i) monthly statements prepared by the Clarity Funds' independent fund administrator and (ii) audited fiscal year-end financial statements. Investors could also receive other periodic reports concerning such investment(s) as Clarity determined to be appropriate.

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

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Clarity could compensate third parties for referring investors to Clarity Funds. Referral fees were generally a percentage of the Administrative Services Fee earned by Clarity or the fees due to Managers. If interests were acquired through a placement agent retained by Clarity, you should not view such recommendation of such placement agent as being disinterested, as the placement agent would generally be paid out of the fees Clarity receives from the respective Clarity Fund in which you become an investor.

As applicable, such referral arrangements conformed to Rule 206(4)-3 under the Advisers Act.

## Item 15: Custody

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Clarity could have been deemed to have custody of client's assets. Applicant complied with Rule 206(4)-2 by providing audited financial statements, which were furnished annually to all investors in the Clarity Funds.

## Item 16: Investment Discretion

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Clarity had the authority to determine, without obtaining specific client consent, the securities to be bought or sold; the amount of securities to be bought or sold; the broker or dealer to be used; and the commission rates paid. Such authority was generally established through the Offering Documents and through investment management and other agreements. Nonetheless, Clarity generally delegated the aforementioned authorities to the selected Managers. Limitations on Clarity's authority were guided by, among other things, (i) its responsibility to act as a fiduciary when handling clients' accounts, (ii) the investment strategies and objectives of the Clarity Funds, and (iii) with respect to the Clarity Funds, the Offering Documents.

In all cases, the limited discretion exercised by Clarity was in a manner consistent with the stated investment objectives for the particular Clarity Fund as set forth in the Offering Documents.

## Item 17: Voting Client Securities

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Due to the nature of Clarity's advisory business, Clarity did not expect to exercise discretion to vote proxies on behalf of the Clarity Funds. Nonetheless, Clarity adopted Proxy Voting Policies and Procedures.

If Clarity were ever in the position to vote a proxy, each proxy proposal would have been reviewed on a case-by-case basis by Clarity's Investment Committee. Clarity generally supported proposals aimed at effectuating standard and necessary aspects of business operations, which did not typically have a significant effect on the value of the investment, such as name changes, elections of directors, etc. Clarity's Investment Committee will communicate in writing its decision(s) relative to each proxy to Clarity's Chief Operating Officer, who will effectuate the actual proxy vote.

A copy of Clarity's proxy voting procedures, as well as a record of all proxy decisions and any documentation maintained with respect to proxy votes, is available by contacting Clarity's Investor Services at 212-596-3480.

## Item 18: Financial Information

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Clarity had no financial commitment that impaired its ability to meet contractual and fiduciary commitments to clients, and was never the subject of a bankruptcy proceeding.