

## Item 1      Form ADV Part 2A

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November 9, 2023

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**This brochure provides information about the qualifications and business practices of Figure Investment Advisors, LLC (“FIA”). If you have any questions about the contents of this brochure, please contact Jason Rives, FIA’s Chief Compliance Officer (“CCO”) at 865-385-6776 or [jrives@figureinvest.com](mailto:jrives@figureinvest.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 Figure Investment Advisors, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration as an investment adviser does not imply that Figure Investment Advisors or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.**

## **Item 2      Material Changes**

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This purpose of this Updating Amendment is to revise Item 1 to reflect the current CCO's contact information. There are no other material changes to report since the previous Form ADV Annual Updating Amendment filed on March 29, 2023.

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## Item 4 Advisory Business

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Cabazon Investment Group, LLC (“Cabazon”) was renamed Figure Investment Advisors, LLC as of April 22, 2020. FIA was sold to Sutton Place Associates, LLC on December 31, 2017. In June 2018, agreements were finalized to transfer the entire interest of Cabazon from Sutton Place Associates, LLC to Michael Cagney, Kenneth Chan, and William White effective January 1, 2018, and later to Figure Asset Management, LLC effective February 15, 2018, which is wholly owned by Figure Technologies, Inc. FIA remains privately owned.

FIA offers a range of strategies. FIA’s macroeconomic viewpoints guide its asset class selection, portfolio design, trade execution and risk management. The investment portfolios are managed on a discretionary basis and are primarily offered through private funds/pooled investment vehicles (also referred to as the “client accounts”). The investment parameters for each client account are agreed upon with the client.

As of December 31, 2022, FIA managed approximately \$42.7. million in regulatory assets under management, all of which are managed on a discretionary basis.

## Item 5 Fees and Compensation

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The annual management-fee rate (the “Management Fee”) for private funds/pooled investment vehicles is as follows:

Fund	Annual Rate	Frequency
Figure World Equity Fund, LP	0.50%	Monthly
Figure REIT, Inc.	1.00%	Quarterly

The Management Fee is payable to FIA in advance and is negotiable. FIA has, and may in the future, elect to reduce, otherwise modify or waive the Management Fee for certain investors. If management of a client account is terminated prior to the end of a billing period, a pro-rata portion of the Management Fee will be refunded to the client based on the actual number of days remaining in such partial period.

In addition to the Management Fee, REIT investors will reimburse FIA for all organization and offering expenses (including legal, accounting, printing, marketing and other miscellaneous costs and expenses) as well as costs and expenses relating to the organization of the REIT. Also, all expenses related to the private funds will be borne by the private fund investors.

Clients will incur brokerage and other transaction costs. Please see Item 12 “Brokerage Practices” below for details.

Neither FIA nor any of FIA’s affiliates receives any compensation for the sale of securities or other investment products to its clients.

## Item 6 Performance-Based Fees and Side-by-Side Management

### Pooled Investment Vehicles

Generally, an incentive allocation is made to the general partner at the end of a fiscal year. In the case of Figure World Equity Fund, LP, an incentive allocation is made to the general partner, FAM GP 1, LLC, and not to FIA, and is equal to 20% of the net income in excess of the FTSE Developed Net Total Return USD Index (Bloomberg: "AWNT04U"). The general partner has, and in its sole discretion, may in the future, waive or modify the incentive allocation for any limited partner.

For Figure REIT, Inc. ("REIT"), distributions of cash from operations to the REIT's shareholders will be payable quarterly as follows:

- Return of capital. First, 100% to the REIT until the REIT has been distributed an amount equal to an 8% cumulative but not compounded annual return; and
- Thereafter, 80% to the REIT and 20% to FIA.

Performance-based fees create an incentive for FIA to invest client assets in a manner that is riskier or more speculative than would otherwise be the case. In accordance with the offering documents and limited partnership agreements, FIA selects investments pursuant to each client's investment strategies and does not select investments that are riskier or more speculative in order to achieve higher performance-based fees. In addition, FIA's policy is to allocate investment opportunities in a manner that is consistent with its fiduciary obligations and in a manner that is fair and equitable among client accounts regardless of performance-based fees structure.

## Item 7 Types of Clients

FIA's current clients include private funds and real estate investment trusts (collectively "Private Companies"). For Private Companies, admission of an investor is not open to the general public and interests are privately offered on a confidential basis in reliance upon exemptions contained in the Securities Act of 1933, as amended (the "Securities Act") and the rules and regulations promulgated thereunder for transactions not involving any public offering. Each investor will be required to represent and warrant to the Private Companies in connection with its subscription, among other things, that the investor is acquiring the interest in the Private Companies for its own account for investment purposes only, and not with a view toward resale or other distribution in whole or in part, that it will not transfer, sell or otherwise dispose of its interest in any manner that will violate the Securities Act or other applicable laws, rules or regulations, and that the investor is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act a "qualified purchaser" as that term is defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended and/or a "qualified client" as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended. Each of the Private Companies has a minimum initial investment, subject to waiver at the discretion of general partner or FIA, as follows:

Client	Minimum Initial Investment
Figure World Equity Fund, LP	\$100,000
Figure REIT, Inc.	\$1,000

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

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The investment programs of the client accounts are speculative and entail substantial risks. There can be no assurance that the investment objective of the client accounts will be achieved and that investors will not incur losses. When investing in securities, clients may be subject to numerous risks including those that arise as a result of changes in general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, industry conditions, laws, governmental regulation, competition, technological developments, and national and international political circumstance. All investments risk a total loss of capital.

### REIT

The REIT intends to invest in residential mortgage loans, including fixed-rate, simple interest revolving home equity lines of credit and other real estate-related assets (the "Mortgages") originated by its affiliate, Figure Lending, LLC, and recorded on Provenance Blockchain Inc.'s distributed ledger ("Provenance"). The REIT also may acquire other assets, such as unsecured personal loans, that are recorded on Provenance ("Other Assets"). The REIT seeks to opportunistically acquire quality Mortgages and Other Assets that will provide prospective purchasers of the Shares with (i) the preservation and return of their capital contributions, (ii) stable cash flow (including monthly distributions), and (iii) potential liquidity through a possible future listing of the REIT's common stock on a national stock exchange or through the further development of the Provenance network. However, there can be no assurance that any of these objectives will be achieved.

### Private Funds

The client accounts invest in and trade securities, consisting principally, but not solely, of fixed income and fixed income derivatives, global currencies and currency derivatives, and equity and equity-related securities that are traded in U.S. and non-U.S. markets. The client accounts are also permitted to invest in preferred stocks, convertible securities, warrants, rights, options (including covered and uncovered puts and calls and over-the-counter options), swaps and other derivative instruments, bonds and other fixed income securities, non-U.S. currencies, futures, options on futures, other commodity interests, private securities and money market instruments. Additionally, the client accounts are able to engage in short selling, margin trading, hedging and other investment strategies.

FIA generally examines various current and trending macroeconomic statistics based on hard economic data. FIA selects for the client accounts individual securities positions based on, among other things, market inefficiencies as perceived by FIA, FIA's expected returns for each considered security, the value of the security as perceived by FIA and the security's liquidity.

**Investment Risks.** The client accounts invest substantially all of their available capital (other than capital that FIA retains in cash or cash equivalents) principally in securities, engage in short sales of securities and trade in options (including covered and uncovered puts and calls and over-the-counter options), swaps and other derivative instruments, non-U.S. currencies, futures, options on futures, other commodity interests, private securities and money market instruments. Markets for such instruments fluctuate and the market value of any particular investment could vary substantially. In addition, such securities could be issued by unseasoned companies and would likely be highly speculative. At times, the client accounts' investment portfolio will not generate any income or appreciate in value.

**Information Sources.** FIA selects investments for the client accounts based in part on information and data that the issuers of such securities file with various government agencies or make directly available to FIA or that FIA obtains from other sources. FIA is not in a position to confirm the completeness,

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genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not readily available.

**Investment Selection.** The client accounts engage in long purchases and short sales of securities, hedging, option trading, leverage (including, but not limited to, margin trading and investing in derivatives) and other strategies. From time to time, the client accounts invest in securities with relatively low prices, which will typically be subject to greater percentage price fluctuations than higher priced securities.

Hedging strategies usually are intended to limit or reduce investment risk, but also can limit or reduce the potential for profit and increase the client accounts' transaction costs, interest expense and other costs and expenses. Options, futures and commodities trading, other derivatives trading, short sales, hedging, margin trading and other techniques and strategies could result in material losses for the client accounts.

The client accounts may have higher portfolio turnover than other investment funds. The client accounts' brokerage commissions and other transaction costs generally are higher than those incurred by a client account with a lower portfolio turnover rate. The likelihood that client accounts will realize income or gain depends on the skill and expertise of FIA and the portfolio managers.

**Short Sales.** The client accounts sell securities short. A short sale results in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale results in a loss if the price of the securities sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that the client accounts are required to pay with respect to the borrowed securities, offset (wholly or partly) by short interest credits. In a generally rising market, the client accounts' short positions are more likely to result in losses because securities sold short are more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss.

To make a short sale, the client accounts must borrow the securities being sold short. It could be impossible for the client accounts to borrow securities at the most desirable time to make a short sale, particularly in illiquid securities markets. In addition, special rules, which differ from jurisdiction to jurisdiction, apply to short sales. For example, the client accounts are prohibited from making short sales of certain securities at prices below the last sale price, which will prevent the client accounts from executing short sales of certain securities at the most desirable time. If the prices of securities sold short increase, the client accounts may be required to provide additional funds or collateral to maintain the short positions. This could require the client accounts to liquidate other investments to provide additional margin. Such liquidations might not be at favorable prices. Further, the lender can request the return of the borrowed securities and the client accounts may not be able to borrow those securities from other lenders. This would cause a "buy-in" of the short position, which would likely be disadvantageous to the client accounts.

**Risks of Non-U.S. Investments.**

- (a) Generally. Certain client accounts will invest in non-U.S. securities which will be denominated in U.S. or non-U.S. currencies, and use forward non-U.S. currency exchange contracts, which involve unusual risks not typically associated with investing in U.S. securities. These risks include, but are not limited to, less public information available regarding non-U.S. issuers, limited liquidity of non-U.S. securities and political risks associated with the countries in which non-U.S. securities are traded and the countries where non-U.S. issuers are located. Individual non-U.S. economies typically differ unfavorably from the U.S. economy in gross national product

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growth, inflation rate, savings rate and capital reinvestment, resource self-sufficiency and balance of payments positions, and in other respects. The client accounts invest in securities of non-U.S. governments (or agencies or subdivisions thereof), and some or all of the foregoing considerations also will apply to those investments.

- (b) **Developing Countries.** The risks of non-U.S. investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries will generally be less established and will change rapidly. These countries also are more likely to experience high levels of inflation, deflation or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that are imposed by developing countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.
- (c) **Political Risks.** Many of the non-U.S. companies in which the client accounts invest, directly or indirectly, could be particularly exposed to the risk of political change and governmental action. In some non-U.S. countries, there is the possibility of expropriation or confiscatory taxation, limitations on removing funds or other client accounts assets, political or social instability, or diplomatic developments that could materially and adversely affect the value and marketability of the client accounts' investments in those countries.
- (d) **Non-U.S. Investment Limitations.** Some of the countries in which the client accounts invest, directly or indirectly, have laws and regulations that currently preclude or severely restrict direct non-U.S. investment in securities of their companies. Indirect non-U.S. investment will, however, be permitted through investment funds that have been specifically authorized for that purpose. Because of the limited number of authorizations granted in such countries, however, units or shares in most of the investment funds authorized in those countries will at times trade at a substantial premium over the value of their underlying assets. There can be no certainty that these premiums will be maintained and if the restrictions on direct non-U.S. investment in the relevant country were significantly liberalized, premiums might be reduced, eliminated altogether or turned into a discount.
- (e) **Non-U.S. Securities Regulation.** The securities of non-U.S. issuers held by the client accounts generally are not registered under, nor are the issuers thereof subject to the reporting requirements of, U.S. securities laws and regulations. Accordingly, there will be less publicly available information about these securities and about the non-U.S. company or government issuing them or the board of trade clearing them than is available about a U.S. company, government entity or board of trade. Non-U.S. companies and boards of trade generally are not subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies. Further, government supervision of stock exchanges, boards of trade, securities brokers and issuers of securities is generally less stringent than supervision in the U.S. The investments also may be subject to withholding taxes imposed by the applicable country's taxing authority.
- (f) **Limited Liquidity of Non-U.S. Securities.** Some non-U.S. securities are less liquid and their prices are more volatile than comparable U.S. companies. Investing in non-U.S. securities creates a greater risk of securities clearance and settlement problems.
- (g) **Non-U.S. Currency Risks.** The client accounts hold cash in U.S. Dollars to meet expenses and could hold cash in other currencies for hedging or investment purposes or to meet settlement requirements for non-U.S. securities. At times, the client accounts will be affected unfavorably

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by exchange control regulations or changes in the exchange rate between such currencies and the U.S. Dollar. Changes in non-U.S. currency exchange rates influence values within the client accounts' portfolios from the perspective of U.S. investors. Changes in non-U.S. currency exchange rates also could affect the value of dividends and interest earned, gains and losses realized on the sale of securities and the client accounts' net investment income and gains, if any. The exchange rate between the U.S. Dollar and other currencies is determined by the forces of supply and demand in the non-U.S. exchange markets. These forces are affected by the international balance of payments and other economic and financial conditions, government intervention and other political and diplomatic conditions, speculation and other factors.

**Options and Commodity Interests.** The client accounts invest in options, futures and other commodity interests. Trading in these instruments is highly speculative and entails risks that are greater than those of investing in other securities. Prices of these instruments generally are more volatile than prices of other securities and prices of futures and other commodity interests can be particularly volatile. These changes are extremely difficult to predict. The client accounts speculate on market fluctuations of securities, commodities and securities exchange indices while investing only a small percentage of the value of the securities or commodities underlying the option or futures contract. A change in the market price of the underlying securities, commodities or market index will cause a much greater percentage change in the price of the option or futures contract. In addition, if the client accounts purchase options that it does not sell or exercise, it will lose the premium paid in such purchase. If the client accounts sell call options and must deliver the underlying securities at the option strike price, the client accounts have a theoretically unlimited risk of loss if the price of such underlying securities increases. If the client accounts sell put options and must buy the underlying securities, the client accounts risk the loss of the difference between the market price of the underlying securities and the option strike price. Any gain or loss from the sale or exercise of an option is reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option.

Special risks are associated with using options. Deciding whether, when and how to use options involves different skills and judgment than those needed to select portfolio securities. Even a well-conceived transaction could be unsuccessful to some degree because of market behavior, currency fluctuations or interest rate trends. If FIA incorrectly forecasts market values or other relevant factors, the client accounts could be in a worse position than if they had not engaged in options transactions. The client accounts' potential loss from writing uncovered options is unlimited. When options are used for hedging, there may be no correlation between price movements in the option and in the portfolio securities being hedged. A lack of correlation could result in a loss on both the hedged securities and the hedging vehicle, so that the client accounts' return might have been better had it not attempted to hedge.

The client accounts will, at times, purchase or sell derivatives, stock, commodity interest or index options that are not traded on a securities or commodities exchange. Options that are not traded on an exchange are not issued by the Options Clearing Corporation. Therefore, the risk of the obligor's nonperformance on such an option will be greater and it could be more difficult for the client accounts to dispose of such an option than an exchange traded option issued by the Options Clearing Corporation.

**Derivative Instruments; Counterparty Risk.** Some of the markets in which the client accounts purchase and sell derivative instruments are "over-the-counter" or "interdealer" markets. The participants in these markets typically are not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the client accounts to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a credit or liquidity problem with the

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counterparty. Disputes over the terms of the contract (whether or not bona fide) could cause settlement delays because certain such markets lack the established rules and procedures for swift settlement of disputes among market participants found in “exchange-based” markets. These factors could cause the client accounts to suffer a loss due to adverse market movements while replacement transactions are executed or otherwise. Such “counterparty risk” is accentuated for contracts with longer maturities where events could intervene to prevent settlement, or where the client accounts have concentrated their transactions with a single or small group of counterparties. These derivative instruments also could be difficult to value accurately. Any misvaluation could adversely affect one or more client.

**Securities Lending and Borrowing.** The client accounts may lend securities to securities brokers and other institutions to earn additional income, or borrow securities from securities brokers or other institutions to enable short sales. If the other party becomes insolvent or bankrupt, the client accounts could experience delays and costs in recovering payment or the securities. If, in the meantime, the value of the securities changes, the client accounts could experience further losses. Security loans must be fully collateralized, and FIA could misjudge the creditworthiness of the other party to the transaction.

**Repurchase Agreements.** The client accounts may enter into repurchase agreements, by which they buy a security and simultaneously agree to sell it back later at a predetermined price, or in reverse repurchase agreements, by which the client accounts sell a security and simultaneously agree to buy it back later at a predetermined price. The repurchase date is usually within 7 days after initiating the agreement. If the other party to a repurchase or reverse repurchase agreement becomes insolvent or bankrupt, the client accounts will typically experience delays and incur costs in recovering payment or the securities. If the value of the security purchased changes in the meantime, the client accounts could experience further losses. Repurchase agreements to which the client accounts are a party must be fully collateralized by client accounts Securities. Repurchase and reverse repurchase agreements can have effects similar to margin trading and other leveraging strategies.

**Stock Index Futures.** Using stock index futures for hedging involves several risks. Price movement in the stock index and price movements in the securities that are the subject of the hedge do not always correlate. Positions in futures contracts may be closed out only on the exchange on which they were entered into or through a linked exchange, and there is no secondary market for those contracts. In addition, there may be no active market for the contracts at any particular time. Some exchanges do not permit trading in particular contracts at prices that fluctuate more than a set limit in any day. If prices fluctuate during a single day beyond those limits, the client accounts will not be able to liquidate unfavorable positions promptly and will lose money.

**Limited Liquidity of Investments.** Certain client accounts invest in thinly traded and relatively illiquid securities, securities that can be traded at the time the client accounts invests but may cease to be traded after the client accounts invests. The client accounts also acquire significant positions in some securities. In such cases and in the event of extreme market activity, the client accounts may not be able to liquidate their investments promptly if necessary. In addition, the client accounts’ sales of thinly traded securities could depress the market value of those securities and thereby reduce the client accounts’ profitability or increase its losses. Such circumstances or events could affect the client accounts’ gain or loss materially and adversely.

The client accounts may invest in PIPE (private investments in public equity) financings. In a PIPE transaction, the client accounts typically purchase unregistered equity securities of a class of securities that is publicly traded and receive registration rights with respect to the unregistered securities that they purchase. The securities are not publicly tradable when the client accounts purchase them, however, and the client accounts cannot assure investors that they will become publicly tradable.

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The client accounts also may invest in restricted securities that are subject to substantial holding periods or that are not traded in public markets. Restricted securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. Such restricted securities will not be eligible to be traded on a public market even if a public market for securities of the same class were to develop. It is highly speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.

**No Control over Portfolio Issuers.** The client accounts may acquire substantial positions in the securities of particular companies. Nevertheless, the client accounts are unlikely to be represented on the board of directors or share any control over the management of any such company. The success of each investment depends on the ability and success of the management of that company, in addition to economic and market factors.

**Concentration of Investments.** The client accounts' investment portfolio (on account of size, investment strategy and other considerations) will at times be confined to the securities of relatively few issuers. The client accounts are not required to maintain a minimum level of capital. If the client accounts fail to raise substantial initial capital or incur losses or withdrawals, they will not have sufficient funds to diversify their investments. There are no particular limits as to concentration in particular issuers or types of investments. If the client accounts concentrate investments in several, relatively large security positions or industries relative to their capital, a loss in any one position or downturn in any one industry could reduce the client accounts' performance materially.

**Trade Errors by FIA.** FIA places orders for the purchase and sale of securities with brokers on behalf of the client accounts. The trading process can be complex and can vary for different types of securities. Moreover, in certain instances, FIA could be required to break up orders, or could buy or sell the same security for more than one client, further complicating the trading process. FIA might make or cause errors in trading. Unless otherwise agreed upon, trade errors made or caused by FIA or its affiliates are the responsibility of the client accounts. FIA and its affiliates will not be required to bear the cost of any trade error or reimburse the client accounts for resulting costs or losses.

**Highly Volatile Markets.** The prices of financial instruments in which the client accounts invest can be highly volatile. Price movements of forward and other derivative contracts in which the client accounts' assets are invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The client accounts are subject to the risk of failure of any of the exchanges on which their positions trade or of its clearinghouses.

**Use of Leverage and Financing.** Certain client accounts leverage their capital because FIA believes that the use of leverage enables the client accounts to achieve a higher rate of return. Accordingly, the client accounts pledge their securities in order to borrow additional funds for investment purposes. The client accounts also leverage their investment return with options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings which the client accounts have outstanding at any time can be substantial in relation to their capital. There is no limit on the client accounts' ability to borrow or use leverage. While leverage presents opportunities for increasing the client accounts' total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by the client accounts would be magnified to the extent the client accounts are leveraged. The cumulative effect of the use of leverage by the client accounts in a market that moves adversely to the client accounts' investments could result in a substantial loss to the client accounts which would be greater than if the client accounts were not leveraged. The use of short-term margin borrowings

result in certain additional risks to the client accounts. For example, should the securities pledged to brokers to secure the client accounts' margin accounts decline in value, the client accounts could be subject to a "margin call," pursuant to which the client accounts must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the client accounts' assets, the client accounts might not be able to liquidate assets quickly enough to satisfy their margin requirements. The financing used by the client accounts to leverage the portfolio is extended by securities brokers and dealers in the marketplace in which the client accounts invest. While the client accounts attempt to negotiate the terms of these financing arrangements with such brokers and dealers, their ability to do so is limited. The client accounts are therefore subject to changes in the value that the broker-dealer ascribes to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position and/or such broker-dealer's willingness to continue to provide any such credit to the client accounts. Because the client accounts currently have no alternative credit facility which could be used to finance their portfolio in the absence of financing from broker-dealers, they could be forced to liquidate their portfolios on short notice to meet their financing obligations. The forced liquidation of all or a portion of the client accounts' portfolios at distressed prices could result in significant losses to the client accounts.

**Hedging Transactions.** FIA is not required to attempt to hedge portfolio positions in the client accounts and, for various reasons, will determine not to do so. Furthermore, FIA will not anticipate a particular risk so as to hedge against it. The client accounts utilize financial instruments, both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of the client accounts' investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the client accounts' unrealized gains in the value of the client accounts' investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the client accounts' portfolios; (v) hedge the interest rate or currency exchange rate on any of the client accounts' liabilities or assets; (vi) protect against any increase in the price of any securities the client accounts anticipate purchasing at a later date; or (vii) for any other reason that FIA deems appropriate. The success of the client accounts' hedging strategy is subject to FIA's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the client accounts' hedging strategy is also subject to FIA's ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. While the client accounts enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the client accounts than if it had not engaged in any such hedging transactions. For a variety of reasons, FIA will not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation will prevent the client accounts from achieving the intended hedge or expose the client accounts to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the client accounts' portfolio holdings.

In addition, FIA's high portfolio turnover will result in the recognition of gains and could negatively impact investment performance due to increased brokerage and other transaction costs and taxes.

#### **Real Estate Investment Trusts**

In general, mortgage REITs invest the majority of their assets in real estate mortgages and derive income from the collection of interest payments. REITs are not taxed on income distributed to shareholders provided they comply with the applicable requirements of the Internal Revenue Code (the "Code"). REITs are dependent upon the skills of their managers and are not diversified.

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FIA will buy representative pools of home equity line of credits (“HELOCs”), relying on the underwriting capability of an affiliate, Figure Lending, LLC. In addition, FIA will use securitization, where appropriate, to build match funding and mitigate financing risks.

**REIT Status.** REIT qualification would generally require that the REIT have at least 100 stockholders and that 5 or fewer individuals (as defined under the Code to include certain entities) not collectively own more than 50% of the Company at certain times. In addition, to maintain REIT status, the Company must satisfy certain other tests on an ongoing basis concerning, among other things, the sources of its income and the nature of its assets. REIT qualification requires that specified percentages of the Company’s income be attributable to certain real estate sources and would require the Company to distribute at least 90% of its taxable income to its stockholders each taxable year.

**Mortgage Loans.** Investments in mortgages loans involves certain risks, including, without limitation, (a) the borrower may default, (b) the borrower may not be able to make a lump sum principal payment due under a mortgage at the end of the loan term, and (c) lower yields may result during periods of interest rate volatility.

**Interest Rate.** REITs are subject to interest rate risk. When interest rates decline, the value of a REIT’s investment in fixed-rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a REIT’s investment in fixed-rate obligations can be expected to decline.

**Digital Mortgage Loans.** Digital or electronic HELOCs serviced by software and recorded on a blockchain generally relies on unproven technology and face significant uncertainties and risks.

**Fraud.** Material misrepresentation or omission on the part of a borrower, originator or third-party service provider could adversely affect the valuation of the collateral underlying the mortgages or could adversely affect the ability of the REIT to perfect or effectuate a lien on the collateral securing the mortgages. Fraud committed in the origination process could also increase delinquencies and defaults on the mortgages. The REIT relies upon the accuracy and completeness of representations made by borrowers, originators and third-party service providers (as applicable) to the extent reasonable, but cannot guarantee that such representations are accurate or complete. Under certain circumstances, payments to the REIT will be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

### **Additional Risks of Private Companies**

In general, clients are subject to the following risks that could cause clients to lose part or all of their original investments:

- Market risk, which is the chance that the value of the client account will fall due to a decline in some or all of the securities the client account holds;
- Manager risk, which is the chance that the client account underperforms the benchmark due to poor security selection or allocation decisions by FIA;
- Credit risk, which is the chance that one or more counterparties to contracts held by the client account default;
- Liquidity risk, which is the chance that unfavorable liquidity conditions prevent FIA from liquidating one or more positions in the client account;

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- Leverage risk, which is the chance that losses in the client account are magnified by investment leverage; and
- Currency risk, which is the chance that some countries will adopt policies which would prevent FIA from transferring cash out of the country, or withhold portions of interest and dividends at the source.

In addition, investors in Private Companies will be exposed to other risks including the following:

**Economic Conditions.** Changes in economic conditions, including, for example, interest rates, credit availability, inflation rates, industry conditions, government regulation, competition, technological developments, political and diplomatic events and trends, tax and other laws and innumerable other factors, can affect the client accounts' investments and prospects materially and adversely. None of these conditions is within FIA's control, and it may not anticipate these developments. The availability, unavailability, or hindered operation of external credit markets, equity markets and other economic systems which the clients may depend upon to achieve their objectives may have a significant negative impact on the clients' operations and profitability. There can be no assurance that such markets and economic systems will be available or will be available as anticipated or needed for the clients to operate successfully. These factors will affect the volatility of securities prices and the liquidity of the client accounts' investments. Unexpected volatility or illiquidity could impair the client accounts' profitability or result in losses.

Economic conditions also affect the client accounts' investment in fixed income securities. For example, an increase in overall interest rates will depress the investment value and consequently the price of any bonds that the client accounts hold. The value of these securities also will be affected by non-payment of interest due on them, or liquidation or dissolution proceedings with respect to their issuers.

**Distress Events.** A client's investment is subject to the risk that one of the client's banks, lenders or other custodians of some or all of the client's assets (each a "counterparty") is unable to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty (each, a "Distress Event"). A Distress Event can be caused by a variety of factors, including but not limited to, eroding market sentiment, a change in interest rates, significant customer withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a client's counterparty experiences a Distress Event, the Firm, the clients and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although many regulated banks and broker-dealers in the United States insure assets up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("FDIC"), or the Securities Investor Protection Corporation ("SIPC"), respectively, amounts in excess of the relevant insurance are subject to risk of loss, and any counterparties that are not subject to similar arrangements pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event can adversely affect the Firm's ability to manage the clients and their investments, and the ability of the Firm, any client and/or portfolio companies to maintain operations, resulting in significant losses. In the event a counterparty experiences a Distress Event, this could cause clients to be unable to draw capital on a credit line to close a transaction or acquire or dispose of investments at prices that reflect the fair value of such investments; investors to be unable to make capital contributions or otherwise; and/or portfolio companies to be unable to make payroll, fulfill obligations and maintain operations. Although in

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the event of a Distress Event, the Firm expects to exercise contractual remedies under the agreements with counterparties, there can be no assurance that such remedies will be successful or avoid losses or delays.

Many counterparties require the Firm and/or or the client to maintain all or a set amount or percentage of their respective accounts or assets with such counterparty or its affiliate(s), which increases the risks associated with a Distress Event with respect to such counterparty. Although the Firm seeks to do business with counterparty that it believes are creditworthy and capable of fulfilling their respective obligations to the clients, the Firm is under no obligation to use a minimum number of counterparty with respect to any client, or to maintain account balances at or below the relevant insured amounts.

**Catastrophic Events.**

Similar to the recent global outbreak of COVID-19, together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, public gathering limitations restrictions on travel and quarantines, will meaningfully disrupt the global economy and markets. Although the long-term economic fallout of COVID-19 and other future pandemics is difficult to predict, they will contribute to market volatility. It is also likely to lead to an economic slowdown given the disruption to supply chains across sectors and industries worldwide, which could materially and adversely affect the client accounts. Since COVID-19, and other future pandemics will likely be present in jurisdictions in which FIA conducts business, it could affect the ability of FIA to operate effectively, including the ability of personnel to function, communicate and travel to the extent necessary to carry out the client accounts' investment strategies and objectives. In addition, FIA's personnel and personnel of critical service providers to FIA or the client accounts may be directly impacted by the spread of COVID-19 or other future pandemics, both through direct exposure and exposure to family members, which could impact FIA's ability to satisfy its obligations to the client accounts, their investors, and pursuant to applicable law. The spread of COVID-19 or other future pandemics among FIA personnel has the potential to significantly affect FIA's ability to properly oversee the affairs of the client accounts (particularly to the extent such impacted personnel include key investment professionals or other members of senior management).

**Cybersecurity.**

FIA relies on computer programs, networks, devices and systems (and may rely on new systems and technology in the future) in connection with the clients' investment activities. These programs, networks, devices and systems may be subject to certain defects, failures, interruptions or security breaches, including, but not limited to, those caused by computer "worms," viruses, power failures and social engineering schemes such as "phishing."

FIA's operations are dependent on each of these networks, systems or devices and the successful operation of such networks, systems or devices is often out of FIA's control. Any such defect, failure or breach could have a material adverse effect on the client accounts, FIA and the general partner. Cybersecurity breaches may cause (i) disruptions and impact business operations, potentially resulting in financial losses to the client accounts; (ii) the inability of FIA and other service providers to transact business; (iii) violations of applicable privacy and other laws; (iv) regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; (v) the inadvertent release of confidential or sensitive information; as well as (vi) the fraudulent withdrawal of funds from client accounts. In addition, cybersecurity breaches of third-party service providers (e.g., the clients' custodians) or issuers of securities in which FIA invests could subject the client accounts to many of the same risks. FIA has policies and procedures in place to protect such systems and prevent data loss and security breaches. However, such measures cannot provide absolute security. A breach of FIA's information systems may cause information

relating to the client accounts' transactions and personally identifiable information of investors to be lost or improperly accessed, used, or disclosed.

The service providers of the clients are subject to the same information security threats. If a service provider fails to adopt or adhere to adequate data security policies, or if the service provider's network is breached, information relating to the transactions of the clients and personally identifiable information of the investors (and beneficial owners thereof) may be lost or improperly accessed, used, or disclosed.

#### **Business Continuity and Disaster Recovery.**

FIA's business operations could become vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods, hurricanes and earthquakes), epidemics and pandemics (as further detailed below), terrorist attacks or other circumstances resulting in property damage, network interruption and / or prolonged power outages. Although FIA has implemented various measures to manage risks relating to these types of events, there can be no assurances that all contingencies are planned for. If such business operations are disrupted or suspended for extended periods of time, the client accounts may be adversely affected.

FIA developed and tested a business continuity plan to provide protocols in an emergency such COVID-19. These procedures are designed to limit disruption in services and maintain efficient and effective operations. FIA has performed comprehensive Firm-wide business continuity and disaster recovery testing which has proven FIA has a well-defined plan and its controls and policies are effective.

## **Item 9      Disciplinary Information**

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FIA has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of FIA have been subject to such action.

## **Item 10      Other Financial Industry Activities and Affiliations**

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FIA is an exempt commodity pool operator and serves as the investment adviser managing the Figure REIT Inc., an exempt commodity pool.

FIA has the following affiliates:

- Figure Securities, Inc. is a FINRA member and SEC-registered broker-dealer that operates an alternative trading system for the trading of digital asset securities.
- FAM GP 1, LLC serves as the general partner of Figure World Equity Fund, LP and is currently registered as a commodity pool operator.
- Figure Lending Corporation operates a blockchain-based lending business for consumer loans, primarily home equity lines of credit.
- Figure Lending LLC is a state-licensed subsidiary of Figure Lending Corporation that serves as originator and servicer of loans for the Figure Lending business. FIA engages Figure Lending LLC for purchase of HELOC loans on behalf of Figure REIT, Inc.
- Digital Asset Registration Technologies, Inc. develops a blockchain-based mortgage loan registry system.
- Figure Equity Solutions, Inc. serves as the SEC-registered transfer agent for issuers that use the capitalization table management product offered by Figure Technologies Inc.

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- Figure Payments Corporation is a registered Money Services Business and a state-registered money transmitter that operates a blockchain-based payments network.
- ReFlow Services, LLC is an SEC-registered investment advisor that is partially owned by Figure Technologies, Inc.
- Figure Acquisition Corp. I is a special purpose acquisition company.

The entities all share the principal office and personnel. As such, those personnel who provide services to the affiliated entities have conflicts of interest over the amount of time they spend on its activities and the activities of FIA. FIA shall ensure that such personnel allocate their time to FIA's activities in a manner that is consistent with FIA's fiduciary duty to the client accounts and the investors. In addition, in certain instances, an affiliate may provide services to FIA on behalf of the Private Companies. Any services provided to FIA by an affiliate on behalf of the Funds are disclosed to investors as part of the Fund offering documents. Further, any services are at or below the market price for the same services as provided by an independent party.

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

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FIA has adopted a Code of Ethics expressing its commitment to ethical conduct to comply with applicable securities laws including those relating to insider trading and anti-money laundering. FIA's Code of Ethics describes FIA's fiduciary duties and responsibilities to clients and sets forth FIA's practice of supervising the personal securities transactions of employees. Individuals associated with FIA are permitted to buy or sell securities for their personal accounts identical or different than those recommended to clients. A conflict of interest exists in such cases because individuals have the ability to trade ahead of clients and potentially receive more favorable prices than the clients will receive. To mitigate this conflict of interest, no person employed by FIA shall prefer his or her own interest to that of an advisory client or make personal investment decisions that conflict with the fiduciary responsibility to advisory clients.

To supervise compliance with its Code of Ethics, FIA requires that everyone associated with FIA provide securities holding reports and transaction reports at least quarterly to FIA's chief compliance officer. Neither FIA nor any of its associated persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

To avoid a conflict of interest between FIA and its clients, FIA prohibits principal securities transactions, between FIA and any advisory client, for client accounts without first obtaining the prior written approval of the compliance officer and the written consent of the client. FIA will also not cross trade between client accounts. FIA will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

## **Item 12 Brokerage Practices**

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FIA has complete discretion to select the brokers to be used for executing securities transactions in client accounts and the commission rates to be paid to those brokers. In selecting a broker for any transaction or series of transactions, FIA considers a number of factors, including, but not limited to, net price, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, special execution capabilities, order of call, offering to FIA on-line

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access to computerized data regarding client accounts, computer trading systems, the availability of stocks to borrow for short trades, other services that allow FIA to provide efficient investment advisory services to clients. FIA also is permitted to purchase from a broker or allow a broker to pay for services including but not limited to: custody, record-keeping and similar services, certain research services, economic and market information, portfolio strategy advice, proxy voting services, industry and company comments, technical data, recommendations, research conferences, general reports, periodical subscription fees, consultations, performance measurement data, on-line pricing, news wire and data processing charges, quotation services and the like (a "soft dollar" relationship). During the past fiscal year, FIA did not have any soft dollar relationships with any brokers.

FIA may pay a brokerage commission in excess of that which another broker might charge for effecting the same transaction if FIA determines in good faith that such commission is reasonable in relation to the value of the brokerage, research, and other services provided by that broker, viewed in terms of either the specific transaction or FIA's overall responsibilities to the portfolios over which it exercises investment authority. In addition, the research and other benefits resulting from a brokerage relationship can benefit all client accounts or FIA's operations as a whole, including client accounts that direct FIA to use a broker that does not provide soft dollar benefits.

Clients are permitted to elect to use a specific broker in which to execute trading activity for their account. In such situations, FIA may be unable to achieve most favorable execution of client transactions. The client may pay higher brokerage commissions because FIA will not be able to aggregate orders to reduce transaction costs, or the client could receive less favorable prices.

FIA has a fundamental fiduciary duty to act in the best interests of its clients, with undivided loyalty to each. Nevertheless, because FIA has multiple clients, its duty of loyalty to one client could conflict with its duty of loyalty to another, particularly with respect to allocating trades. To resolve this conflict of interest, FIA has adopted a policy to provide equal and fair treatment to its clients over time, consistent with the FIA's duty of loyalty. No client should receive preferential treatment over any other. In particular, trades will not be allocated to one client over another to (1) favor one client at the expense of another; (2) generate higher fees paid by one client over another or to produce greater performance compensation to FIA; (3) develop a relationship with a client or prospective client; (4) compensate a client for past services or benefits rendered to FIA or to induce future services or benefits to be rendered to FIA; or (5) equalize performance among different client accounts.

Because of the diversity of objectives, risk tolerances, tax situations, and differences in the timing of capital contributions and withdrawals, there always will be differences in invested positions and securities held among client accounts. Any allocation of securities among client accounts is made in a manner consistent with the client accounts' investment objectives, and the foregoing principles.

FIA regularly reviews the securities in each client account for their appropriateness for that client account and for compliance with (1) the agreement or policy applicable to FIA or such client account and (2) any applicable regulatory restriction applicable to FIA or such client account.

If FIA determines that a particular investment is appropriate for more than one client account, FIA will aggregate securities transactions for those client accounts (including client accounts that belong to employees and their family members), when permissible. FIA will allocate buy or sell programs of a particular security among all client accounts for which the program is appropriate. Generally, FIA allocates trades in a particular security to client accounts based on the size of each account participating in the trade, and if a trade order is partially filled, it is allocated pro rata based on the size of each client

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account participating in the order. To ensure that no client account is disadvantaged as a result of such aggregation, FIA has adopted the following policies and procedures:

1. FIA discloses its policy regarding aggregating securities transactions for client accounts in its internal documents and to existing clients and the brokers through which such transactions are placed.
2. FIA does not aggregate securities transactions for client accounts, unless it believes that aggregation is consistent with its duty to seek best execution for client accounts and is consistent with the applicable agreements of the client accounts for which FIA aggregates securities transactions.
3. No client account is favored over any other client account, and each client account that participates in an aggregated securities transaction participates at the average share price for all transactions in the security for which that aggregated order is placed on the day that such aggregated order is placed. Subject to minimum ticket charges, transaction costs are shared in proportion to client accounts' participation.
4. If an order is to be allocated among participating client accounts other than pro rata based on the size of each such client account, one of FIA's portfolio managers or trading staff prepares, before entering an aggregated securities transaction, a written allocation statement specifying the participating client accounts and how FIA intends to allocate the transaction among those client accounts. If an investment opportunity arises unexpectedly and FIA cannot prepare an allocation statement before the investment can be made in client accounts' best interests, FIA will complete the allocation statement immediately after the trade. Such statements, as well as any record of deviation therefrom, are maintained in FIA's records for at least five years (the first two years in FIA's office) and such records are easily accessible.
5. If an aggregated securities transaction is filled in its entirety, it is allocated among client accounts pro rata based on the size of each participating client account, or if applicable, in accordance with the allocation statement. If the order is partially filled, it is allocated pro rata based on the size of each participating client account or, if applicable, in proportion to the allocations in the allocation statement.
6. The allocation of a securities transaction could differ from FIA's general policy or the allocation statement, whichever is applicable, if all client accounts receive fair and equitable treatment and if the reason for the difference is explained in writing and is approved in writing by the compliance officer no later than one hour after the markets open on the trading day following the day the order is executed.
7. FIA's books and records separately reflect, for each client account participating in any aggregated securities transaction, the securities held by or bought or sold for that client account.
8. Funds and securities of client accounts participating in an aggregated securities transaction are deposited with the custodian for each such client account, and neither cash nor securities belonging to any client account participating in such transaction is held collectively any longer than is necessary to settle the transaction on a delivery versus payment basis; and cash or securities held collectively for client accounts participating in such transaction are delivered to the custodian for each such client account as soon as practicable following settlement.

9. FIA receives no additional compensation or remuneration of any kind as a result of aggregating securities transactions for client accounts.
10. Individual investment advice and treatment are accorded by FIA to each client account.
11. The compliance officer annually reviews FIA's aggregation procedures to ensure that they are adequate to prevent any client account from being systematically disadvantaged as a result of the aggregation of securities transactions.
12. No FIA proprietary account, that is not a client account, is included in any aggregated securities transaction.

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

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Account reviews are performed no less than quarterly by traders along with the portfolio managers to determine if asset class values have deviated from target ranges. Even when one or more asset classes fall outside their targets, FIA could determine not to rebalance the portfolio for various reasons, including, but not limited to, avoiding the recognition of capital gains (losses), minimizing transaction costs, or responding to global political, business, market and economic conditions.

In executing rebalancing actions the portfolio manager will seek to rebalance one or more asset classes closer to the targets, but will not rebalance a specific asset class or security in light of various considerations including those relating to tax implications and transaction costs.

Upon request, FIA provides written monthly statements on client accounts that show account balances and profits (losses) of the accounts.

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

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FIA has not received an economic benefit from anyone who is not a client in return for providing investment advice or other advisory services to its clients. FIA does not compensate any person who is not an employee for client referrals.

### **Item 15      Custody**

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FIA is deemed to have custody of each Private Companies' assets and securities through its ability to access and control these assets and withdraw them from custodial accounts either directly or indirectly. However, a qualified custodian maintains the assets and securities for each client account. The Private Companies are audited annually and investors will receive the financial statements resulting from the audits within 120 days of the private fund's and REIT's fiscal year end. The financial statements are prepared in accordance with GAAP and are audited by an independent accountant.

### **Item 16      Investment Discretion**

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When FIA is engaged as an investment adviser, the client must execute an investment management agreement outlining the authority FIA has over the client's accounts along with any documentation

required by qualified, third-party custodians including a power of attorney. As a result, FIA has discretionary authority to manage securities on behalf of clients which allows FIA to determine the securities to sell and in the appropriate amounts without consultation with the client on a transaction-by-transaction basis. However, some clients have placed restrictions on the trading of certain types and quantities of securities as outlined in the investment management agreements.

## Item 17 Voting Client Securities

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FIA instructs each custodian for a discretionary account to deliver to FIA all proxy solicitation materials that the custodian receives for that discretionary account. FIA reviews the securities held in its discretionary accounts on a regular basis to confirm that FIA receives copies of all proxy solicitation materials concerning such securities.

FIA decides whether to vote a proxy on behalf of its client accounts after considering whether the proposal will have a material effect on FIA's investment strategy for discretionary accounts. This analysis frequently leads FIA to determine not to vote proxies unless FIA determines that for other reasons, voting a proxy is in the best interests of a discretionary account. FIA's compliance officer will designate an appropriate employee to be responsible for insuring that all proxy statements are received and that FIA responds to them in a timely manner.

If FIA is considering voting a proxy, FIA reviews all proxy solicitation materials it receives concerning securities held in a discretionary account. FIA evaluates all such information and will seek additional information from the party soliciting the proxy and independent corroboration of such information when FIA considers it appropriate and when it is reasonably available.

If FIA decides that voting a proxy is in the best interest of a discretionary account:

- a. FIA votes for a proposal when it believes that the proposal serves the best interests of the discretionary account whose proxy is solicited because, on balance, the following factors predominate:
  - i. the proposal would have a positive economic effect on shareholder value;
  - ii. the proposal would pose no threat to existing rights of shareholders;
  - iii. the dilution, if any, of existing shares that would result from adoption of the proposal is warranted by the benefits of the proposal; and
  - iv. the proposal would not limit or impair the accountability of management and the board of directors to shareholders.
- b. FIA votes against a proposal if it believes that, on balance, the following factors predominate:
  - i. the proposal would have an adverse economic effect on shareholder value;
  - ii. the proposal would limit the rights of shareholders in a manner or to an extent that is not warranted by the benefits of adopting the proposal;
  - iii. the proposal would cause significant dilution of shares that is not warranted by the benefits of the proposal;
  - iv. the proposal would limit or impair accountability of management or the board of directors to shareholders; or
  - v. the proposal is a shareholder initiative that FIA believes wastes time and resources of the company or reflects the grievance of one individual.

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- c. FIA abstains from voting proxies when it believes that it is appropriate. Usually, this occurs when FIA believes that a proposal will not have a material effect on FIA's investment strategy for discretionary accounts.

Due to the size and nature of FIA's operations and FIA's limited affiliations in the securities industry, FIA does not expect that material conflicts of interest will arise between FIA and a discretionary account over proxy voting. FIA recognizes, however, that such conflicts will arise from time to time, such as, when FIA or one of its affiliates has a business arrangement that could be affected by the outcome of a proxy vote or has a personal or business relationship with a person seeking appointment or re-appointment as a director of a company. If a material conflict of interest arises, FIA will vote all proxies as indicated above. FIA will not place its own interests ahead of the interests of its discretionary accounts in voting proxies.

If FIA determines that the proxy voting policies outlined above do not adequately address a material conflict of interest related to a proxy, it will provide the affected client account with copies of all proxy solicitation materials that FIA receives with respect to that proxy, notify that client account of the actual or potential conflict of interest and of FIA's intended response to the proxy request in accordance with the policies set forth above, and request that the client account consent to FIA's intended response. If the client account consents to FIA's intended response or fails to respond to the notice within a reasonable period of time specified in the notice, FIA will vote the proxy as described in the notice. If the client account objects to the intended response, FIA will vote the proxy as directed by the client account.

For non-discretionary accounts, FIA shall inform each client that the client is responsible for voting proxies and must make arrangements for its brokers to forward proxy materials directly to the client. At a client's request, FIA will, but is not obligated to, advise that client account with respect to voting any proxy. FIA does not provide advice concerning the voting of any proxy to any client account unless such advice is first approved by its compliance officer.

FIA upon request provides clients with (a) a summary of these policies and procedures relating to proxy voting, (b) an offer to provide a copy of such policies and procedures to clients on request, and (c) information concerning how a client can obtain a report summarizing how FIA voted proxies on behalf of such client.

## **Item 18      Financial Information**

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FIA does not require clients to pay any fees six months or more in advance. FIA is not in a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. FIA does not currently face and has never been subject to a bankruptcy proceeding.