FAIRVIEW ASSET MANAGEMENT, LLC

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Form ADV, Part 2A - Brochure

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This brochure provides information about the qualifications and business practices of Fairview Asset Management, LLC ("FAM"). If you have any questions about the contents of this brochure, please call us at 253-691-7095 or email us at administrator@fairview-partners.com. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about FAM is also available on the SEC's website at www.adviserinfo.sec.gov.

FAM is registered as an investment adviser with the SEC. Registration as an investment adviser does not imply a certain level of skill or training.

Item 2 – Material Changes

In June 2022, Fairview Asset Management, LLC ("FAM") filed an application to register as an investment adviser with the territory of Puerto Rico. In connection with that registration application, FAM filed its initial brochure dated March 12, 2024, with the territory of Puerto Rico.

FAM is now updating the brochure to make its required annual updates.

We encourage all recipients of this brochure to read it carefully in its entirety and to contact us should you have any questions.

Item 3 -- Table of Contents

Item 4 -- Advisory Business

Fairview Asset Management, LLC ("FAM") is a Puerto Rico limited liability company formed in Puerto Rico on June 27, 2022. The members of FAM are Nels Stemm and Carson Rasmussen.

FAM began operations in 2022 and was formed to provide sub-advisory services to one or more other investment advisors (each, an "Advisor") or provide investment advisory services directly to one or more pooled investment vehicles, related parallel funds alternative investment vehicles, sub-advisory services to other investment advisors and other specially formed investment vehicles (each, a "Fund") that primarily invests in real-estate and real-estate related assets.

FAM does not provide investment advisory services individually to investors in Funds. None of the Funds will be registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"), and their securities are not registered under the Securities Act of 1933, as amended (the "Securities Act").

FAM generally expects to provide investment advisory services to the Funds through separate advisory agreements (each, an "Advisory Agreement") tailored to the specific needs of each Advisor or Fund as may be necessary, appropriate or negotiated on a case-by-case basis. Services to the Advisors or Funds include identifying, evaluating, structuring and negotiating prospective investments, managing and monitoring portfolio investments and advising with respect to disposition opportunities.

It is anticipated that FAM will enter into a sub-advisory agreement with Fairview Partners Investment Management, LLC ("FPIM"), an investment advisor registered with the U.S. Securities and Exchange Commission. In connection therewith, FAM is expected to provide sub-advisory services in connection with each pooled vehicle and/or other clients for which PFIM acts as an investment advisor.

As of the date of this brochure, FAM does not have any discretionary or non-discretionary assets under management. FAM presently does not participate in wrap fee programs.

Item 5 -- Fees and Compensation

General

The fees and compensation arrangements as well as the expenses that a Fund or Advisor may be responsible for may vary among the Funds and Advisors. The specific terms of such arrangements are set forth in each written agreement with a Fund or Advisor.

FAM does, and will in the future, charge asset-based fees. It is expected that the asset based-fees payable by the Funds will range from 0% to 2.5% of the aggregate capital commitments of the Fund investors while a Fund is actively investing, and thereafter, the fee percentage is typically applied only to such Fund's aggregate invested capital as of the end of the immediately preceding quarter. FAM will receive asset-based fees charged to a Fund, whether providing services directly to a Fund or to another Advisor (including FPIM) pursuant to a sub-advisory engagement.

Performance-Based Compensation

It is expected that FAM will receive performance-based compensation from the Funds or an Advisor, as described in Section 6 below. FAM is not currently charging any performance-based compensation.

The performance-based compensation will be structured subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In accordance with Rule 205-3, investors in a Fund that is assessed carried interest must meet the qualifications set forth in Rule 205-3, and are advised of the terms of such performance-based fees and the associated risks.

The performance-based compensation may create an incentive FAM to make riskier or more speculative investments on behalf of a Fund than would be the case in the absence of this arrangement. The code of ethics adopted by FAM which is described in more detail in Item 11 below, sets forth policies and procedures to address conflicts of interest. Such policies and procedures require FAM and its personnel to act in its Funds' best interests.

Expenses and Other Fees

In addition to the fees and performance-based compensation described above, the Funds (and, indirectly, the investors in the Funds) will pay expenses and other fees specifically as disclosed in the governing documents, as summarized below.

The expenses and other fees to be paid by each Fund will vary and may include, among others, the following: all costs and expenses incurred in connection with the formation of the Fund, the registration and qualification of the Fund interests under applicable federal and state securities laws, and the marketing and sale of the Fund interests (including, without limitation, payments to duly licensed third party broker-dealers that facilitate investments to the Fund); all fees, costs and expenses for third-party service providers, including attorneys, accounting services and tax preparation services, which includes expenses incurred by an Affiliate as the tax matters partner for the Fund; asset management expenses relating to travel for Fund investments; all fees, costs and expenses in any way relating to leasing, investment sales, property management, escrow services, document preparation, document recording, title reports and title policies, surveys, environmental reports, credit reports, property inspections, appraisals and any other third-party studies or reports; carrying costs and interest expense for any funds advanced by FAM or an Affiliate or incurred pursuant to a loan from a third party to the Fund; legal, accounting, bookkeeping, tax compliance, auditing, consulting, property management fees, and other professional expenses, including those of valuation firms; administration fees and other expenses charged by or relating to the services of third-party providers of administration services; third-party and out-of-pocket research and market data expenses; interest and fees on loans, committed loan facilities and other indebtedness; bank service, custodial and similar fees; litigation costs; insurance costs; fees and expenses (including travel expenses) related to the analysis, purchase or sale of investments, whether or not the investments are consummated (*e.g.*, broken-deal expenses); expenses related to the purchase, monitoring, sale, settlement, custody or transfer of

Fund assets (such as brokerage, sales and purchases commissions, exchange fees, banking, clearing and settlement charges, transfer taxes and other transaction costs); entity-level taxes; regulatory fees and expenses (such as for blue sky, Form D and Form PF filings, and other filing fees and corporate fees payable to governments and agencies); investor reporting expenses; fees and expenses relating to the offer and sale of Fund interests; expenses of the Fund's advisory committee; any expenses for services that the Fund's investors require the Fund's general partner or manager to obtain; costs associated with the establishment and operation of any special purpose vehicle or subsidiary vehicle used by the Fund for holding and/or originating investments; and any other ordinary and extraordinary fees or expenses of the Fund, each of which, in the determination of the manager, are reasonably incurred in connection with the business or maintenance of the Fund.

It is expected that FAM will bear certain overhead expenses of operating the Funds. Specifically, it is expended that FAM (or the Advisor to which is provides sub-advisory services, but not the Funds) will pay for all overhead expenses of an ordinarily recurring nature such as rent, utilities, supplies, secretarial expenses, stationery, charges for furniture, fixtures and equipment, employee benefits including health insurance, payroll and other taxes and compensation (and related costs) of all personnel, as applicable.

In addition, the allocation of co-investment opportunities may involve a benefit to FAM or its Affiliates, including, without limitation, management fees, allocations or other compensation from the relevant co-investment opportunity. However, FAM and its Affiliates may apply any such amounts received from a co-investment opportunity to reduce the fees and/or expenses payable by a Fund (via its investors on a *pro rata* basis) relevant to such co-investment opportunity to the extent provided under that Fund's Governing Documents. There can be no assurances with respect to the amount of any investment opportunity that will be allocated to the Fund.

Please see Item 12 below for a discussion of FAM's brokerage practices.

Additional Information About Fees, Allocations and Expenses

The fees, performance-based compensation and expenses described above generally may be modified or waived in certain circumstances, including for Fund investors that are FAM, the Affiliates and/or their respective owners, principals, partners, directors, officers and employees, members of their families or other entities for their benefit (collectively, the "FAM Parties").

Neither FAM nor any of its supervised persons currently accepts compensation for the sale of securities or other investment products.

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

It is expected that FAM will eventually receive performance-based compensation from the Funds or an Advisor.

The performance-based compensation will be structured subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In accordance with Rule 205-3, investors in a Fund that is assessed carried interest must meet the qualifications set forth in Rule 205-3, and are advised of the terms of such performance-based fees and the associated risks.

The performance-based compensation may create an incentive FAM to make riskier or more speculative investments on behalf of a Fund than would be the case in the absence of this arrangement. The code of ethics adopted by FAM which is described in more detail in Item 11 below, sets forth policies and procedures to address conflicts of interest. Such policies and procedures require FAM and its personnel to act in its Funds' best interests.

At this point, FAM has note entered into any specific arrangements for performance-based compensation.

Item 7 -- Types of Clients

FAM provides to the Funds and/or to an Advisor that advises on or more Funds. It is expected that all Funds will claim an exemption from registration as an investment company pursuant to either Section 3(c)(1), 3(c)(5) or 3(c)(7) of the Investment Company Act of 1940, as amended ("1940 Act"). Interests in each Fund ("Fund Interests") are not registered under the Securities Act of 1933, as amended ("1933 Act"), or any state "blue sky" laws; rather, they are privately offered pursuant to Regulation D under the Securities Act.

Generally, each investor in a Fund must be an accredited investor, as defined in Rule 501(a) of Regulation D under the 1933 Act. Investors must complete questionnaires in which they represent that they are qualified to invest in a particular Fund.

The minimum investment commitment required of an investor to participate in a Fund varies from Fund to Fund and the fund sponsor has discretion to modify the minimum investment commitment of a Fund for any potential investor. Investors and prospective investors should refer to the relevant Fund's Governing Documents for complete information regarding minimum investment requirements for participation in the Fund.

In addition, a manager of a Fund may, in its discretion, in connection with any investment, direct the capital contributions of some or all of a Fund's investors to be made through one or more alternative investment vehicles ("Alternative Investment Vehicles") if, in the judgment of the manager, the use of Alternative Investment Vehicles would allow the Fund to address legal or regulatory considerations or invest in a more tax efficient manner or would facilitate participation in certain types of investments. Any Alternative Investment Vehicle will contain terms and conditions substantially similar to those of the Fund to which the Alternative Investment Vehicle relates, and will be managed by FAM or an Affiliate.

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

The methods of analysis and investment strategies used by FAM in managing assets are summarized below. In addition, the material risks involved with each significant investment strategy and method of analysis are explained below.

Investment Strategies and Methods of Analysis

FAM has established a disciplined investment program, which may include one or more of the strategies noted below and the needs of the respective Fund or Advisor. A prospective investor should reference the Governing Documents of the specific Fund(s) in which it desires to invest for a specific investment program of such Fund(s)

- create capital appreciation opportunities by resolving sub-performing or non-performing loans through repositioning, restructuring and active management of those assets.

- capitalize on asset level underwriting experience and market analytics to identify investments with pricing dislocations.

- acquire assets held for sale that are undervalued as a result of operating uncertainty or liquidity constraints.

- originate and structure senior and/or junior loans with attractive return profiles relative to the underlying value and financial operating performance of the real estate collateral and the strength and quality of the sponsorship.

- structure transactions with a prudent amount of leverage, if any, given the risk of the underlying assets cash flows, and attempting to match the structure and duration of the financing with the underlying asset's cash flows, as appropriate.

The methods of analysis and investment strategies used by FAM in managing assets include:

- Strategic acquisition, management and disposition of performing and non-performing loans held by banks and other financial institutions. The strategies resulting from these acquisitions are varied and unique. We manage these loans in the best interests of our clients. That management may include, for example, forcing a payoff from a borrower or a guarantor or foreclosing on the real estate. In addition, we may repair the loan/credit and resell it. This strategy also may involve directly acquiring distressed real estate assets from financial institutions and other sellers that face mounting balance sheet pressure and are willing to sell such properties often at substantial discounts that meet our investment return criteria.

- Taking advantage of the general volatility and uncertainty affecting the financial industry by acquiring in bulk performing and non-performing loans from institutions that have immediate cash needs or are unprepared to undertake foreclosure proceedings against borrowers who default on their loans. Under this strategy, we attempt to purchase such loans often at meaningful discounts and aggressively seek payment of the loans and/or realization of all other remedies available under the applicable laws, including foreclosure.

- Acquisition of residential and commercial loans from financial institutions that are seeking to de-leverage their real estate portfolios either due to regulatory restrictions or preemptively to avoid further internal accounting write-downs. In addition, from time to time, we may elect to purchase performing loans to obtain cash flow yield. We will utilize valuation techniques and strategies designed to verify if real estate assets have the potential of substantial equity if the assets are acquired at advantageous pricing. These loans are generally "pay performing," with some technical default or perceived deficiency that makes them less desirable to banks.

- Providing opportunistic short-term bridge financing to real estate borrowers primarily in the United States, and make bridge loans to real estate borrowers secured by deeds of trust against commercial and residential properties. Loans will generally be subject to maximum loan to value (LTV) ratios. Loans will be fully recourse to borrowers when opportunity for viable recourse is available. Interest rates will be charged generally ranging from 6% to 12% over the then available prime rates of interest quoted by large regional banks in the Pacific Northwest, as well as loan fees of 2% to 10% payable upon loan closings, loan maturity or both.

- Acquisition of fee-simple existing commercial property or a portfolio of commercial real estate. We typically target a high yield, opportunistic strategy to recapitalize, reposition, renovate or otherwise stabilize the property fundamentals. We may include other financial partners in these transactions.

- Open market purchases and/or sales, privately-negotiated transactions, or other means of pursuing an investment. FAM, on behalf of the Funds, may engage in investments directly or indirectly through holding companies, subsidiaries, partnerships, limited liability companies, joint ventures or otherwise.

- FAM may also seek attractive operating businesses within the gold and precious metal mining market and, to a lesser degree, opportunistic investments based on continuing or emerging geopolitical (or similar) circumstances or events that FAM deems appropriate for a Fund with this type of investment focus.

Not all of the above methods of analysis and investment strategies will be used by FAM for every Fund; some Funds may utilize a portion or some variation of the above. Investors and prospective investors in a Fund should review the Governing Documents of the Fund in which they are invested (or are seeking to invest) for additional information about the methods of analysis as well as the investment strategies, objectives and restrictions associated with an investment in such Fund. There is no assurance that any of the Funds' investment objectives will be achieved.

Material Risks

The following is a summary of the material risks associated with FAM's primary methods of analyses and investment strategies for managing assets of the Funds. Investors and prospective investors in a Fund should review the Governing Documents of the Fund in which they are invested (or are seeking to invest) for additional information about the risks associated with an investment in such Fund.

An investment in securities involves a risk of loss that an investor in a Fund should be prepared to bear. An investment in a Fund is speculative and not guaranteed. The instruments in which the Funds invest may lose value. Investors in the Funds may experience a loss of some or all of their investments, including losses amplified as a result of a Fund's use of leverage. Past performance is not indicative of future performance, and there is no assurance that any of the Funds will achieve their investment objectives.

Fund and Management Related Risks

Lack of Operating History. The past performance of FAM's management team may not be relied upon to indicate the future performance of the Funds. A Fund may not have identified any particular investment(s) at closing and may be unable to find a sufficient number of attractive opportunities to meet its investment objectives or fully invest its committed capital. Investors must rely on the ability of the management team to identify, structure and implement investments consistent with each Fund's investment objectives and policies. Investors should note that past performance of other Funds managed by the management team is not a guarantee of future results.

New Ventures. New Funds for which FAM provides investment advisory services are new entities with limited operating histories. They are subject to the risks involved with any speculative new venture. No assurance can be given that the Funds will be profitable.

Reliance on Management. Decisions regarding management of the Funds' affairs will not be made by any of the Funds' investors. Accordingly, investors should not buy Fund Interests unless they are willing to entrust aspects of management to FAM. Investors should carefully evaluate the personal experience and business performance of FAM and its principals. The ability of FAM to discharge its duties is dependent on the services of its principals. The loss of the services of one or more of them could have a significant adverse effect on the Funds.

Illiquidity of Investor Interests; Consequences of Default. Fund interests are typically highly illiquid, have no public market and generally are not transferable. Accordingly, an investor in a Fund may not be able to liquidate its investment and must be prepared to bear the risks of owning its Fund Interest for an extended period of time. A default by an investor in making a required capital contribution or any other payment to a Fund may result in loss of all or a substantial part of the investor's investment in the Fund, as well as in the application of other remedies as set forth in the particular Fund's Governing Documents.

Conflicts of Interest in Allocating Resources. Conflicts of interest between the Funds and the various roles, activities and duties of FAM and its Affiliates may occur from time to time. The principals of FAM may engage in other activities, some of which may compete with the Funds and the Funds' investments. FAM will have conflicts of interest in allocating management time, services and functions between the Funds and other current and future activities. FAM, however, believes that it will have sufficient staff, consultants, independent contractors and business and property managers to perform adequately its duties. A conflict of interest may result in the rights of the Funds not being adequately protected to the detriment of the investors. For more information about conflicts of interest and how they will be resolved, please Items 10 and 11 below.

Strategy and Investment Related Risks

Investment in Distressed Assets. One or more Funds may make investments in underperforming or other distressed assets, sometimes utilizing leveraged capital structures. Furthermore, investments in properties operating in workout modes or under Chapters 7, 11 or 13 of the United States Bankruptcy Code, for example, are, in certain circumstances, subject to certain additional potential liabilities that may exceed the value of a Fund's original investment. Furthermore, under certain circumstances, payments to a Fund and distributions by the Fund to investors may be reclaimed if such payments or distributions are later determined to have been fraudulent conveyances or preferential payments. Numerous other risks also arise in the workout and bankruptcy contexts.

General Real Estate Risks. One or more of the Funds may acquire loans and distressed real estate assets from other financial institutions. In acquiring distressed loans we may take ownership of real estate through foreclosure or similar legal means. There are risks with ownership of real estate. Therefore, the economic success of an investment in a Fund will depend in part upon the results of operations of any real estate acquired or foreclosed upon by the Fund (each a "Property"), which will be subject to those risks typically associated with investments in real estate. Fluctuations in vacancy rates, operating expenses and tax rates can adversely affect operating results or render the sale or refinancing of a Property difficult or unattractive. Certain expenditures associated with the Properties will be fixed (principally mortgage payments, if any, real estate taxes, and maintenance costs) and will not necessarily decrease due to events adversely affecting the Fund's income from such Properties. No assurance can be given that certain assumptions as to the future occupancy of a Property or future costs of operating a Property will be accurate, since such matters will depend on factors, events and risks beyond the Fund's control, such as:

- changes in national, regional, or local economic conditions, which could negatively impact the ability to develop Properties or lease vacancies on favorable terms and a tenant's ability to pay rent;

- changes in local market conditions or characteristics, including new construction of projects that compete with a Property held by a Fund;

- changes in interest rates and in the availability, costs and terms of borrowings, which may make the acquisition, development, sale or refinancing of a Property difficult;

- changes in federal, state or local regulations and controls affecting rents, prices of goods, fuel and energy consumption, environmental restrictions, real estate taxes, zoning and other factors affecting real property;

- continued validity and enforceability of the leases;

- the financial condition and profitability of the tenants, including the inability of tenants to pay rent, such as a tenant in a single-family residential property or a commercial tenant in a single-tenant commercial property;

- the ongoing need for capital improvements;

- changes in operating costs such as utilities;

- acts of nature, such as earthquakes, hurricanes, tornadoes and floods; and

- legal challenges surrounding the validity of title to a Property or other issues concerning title to a Property.

General Risk of Loans Secured by Real Estate. One or more of the Funds may invest in loans secured by real estate. The economic success of an investment in such Funds will also depend upon the results of operations of any real estate securing any loans held by the Funds. Fluctuations in vacancy and operating expenses can adversely affect the operating results of such real estate and therefore the amount of cash flow available to service such loans held by the Funds. If a borrower is unable to pay a loan, a Fund may need to foreclose on and take title to the real estate.

Credit risk, which is the risk of losing principal and interest as a result of a borrower's failure to perform in accordance with their loan obligations, is inherent in the lending business. The Funds expect to make loans to borrowers that are unable to obtain lower priced financing with banks and other financing institutions. Some borrowers will have good credit ratings but are unable to attract lower rate financing because of the current credit environment affecting the overall lending environment. However, other borrowers might not have good credit ratings. Depending on the asset, the borrower, asset location, borrower cash flow and current market conditions, the Funds may seek to cross-collateralize loans to provide further security for repayment of all obligations owed to the Funds. The Funds will also rely on the judgment of FAM to endeavor to ensure payment of all loans. Some loans may be secured by real or personal property collateral as an additional source of recovery, in addition to the borrower. However, a downturn in the local or national economy or a rapid increase in interest rates could have an adverse effect on collateral values, business activity and income, and employment, with a corresponding adverse effect on borrowers' ability to repay loans and on the Funds' ability to recover losses from any collateral. The Funds will not establish an allowance for loan losses and actual loan losses will have a direct effect on value of Fund Interests and there can be no assurance that actual losses incurred will not exceed the overall capital of a particular Fund.

Leverage. One or more of the Funds may utilize leverage. As applicable, such Funds anticipate obtaining loans or a line of credit secured by their assets. If a Fund defaults in its obligations to the lender or the line of credit or loan expires and there is an outstanding balance, the Fund may be required to sell assets in an unfavorable or illiquid market which could result in substantial loss to the Fund. The terms of any loan could change from time to time which could impose increased borrowing costs on the Fund, adversely affecting the profitability of the Fund or otherwise imposing a loss on the Fund. Principals of FAM or its Affiliates may be required by a Fund's lender to provide guarantees on behalf of the Fund in order for the Fund to receive a loan in connection with its investment program. It is intended that the Fund will indemnify such principals regarding any and all such guarantees.

Competition. The business of the Funds is very competitive. The Funds compete for quality investment opportunities against other investors, including private groups and developers, direct investment firms, private equity funds, tenant-in-common syndicators, merchant banks and real estate investment trusts (REITs). Some of these investors have access to more capital, and sometimes lower-priced capital than the Funds, and may have investment objectives that allow the group to outbid the Funds for investments. The Funds may be unable to identify and close a sufficient number of attractive investment opportunities for the Funds to meet their investment objectives.

In addition, a number of other comparable properties are likely to be located within the vicinity of each Property. These competitive facilities may reduce demand for the leasable space of that Property and for that Property itself. It is possible that a tenant will move to existing or new facilities in the surrounding area, which could adversely affect the financial performance of that Property. Competition from nearby facilities could make it more difficult to attract new tenants. The Funds also expect that each Property will experience competition from comparable, attractive projects should a Fund decide to sell that asset. Other properties and real estate investments may be more attractive than that Property held by the Funds. Competition may increase costs and reduce returns on a given asset, and thus reduce returns to the Funds.

Market Risks on Sale. The sales price upon the future sale or other disposition of a Property will depend on many factors, including the occupancy level and rental rates being charged, the availability and price of comparable properties, income capitalization rates, available financing, and conditions in the real estate market in general. It may not be possible to sell that asset at a gain or for a price equal to or greater than the appraised value. There can be no assurance that the price and terms of any sale or other disposition of a Property will be such as to provide a Fund with a satisfactory return on its investment, or any return at all, or that there will not be a loss on any such sale.

Environmental and Insurance Risks. Federal, state and local laws impose liability on a landowner for releases or the otherwise improper presence on the premises of hazardous substances. This liability is without regard to fault for, or knowledge of, the presence of such substances. A landowner may be held liable for hazardous materials brought onto the property before it acquired title and for hazardous materials that are not discovered until after it sells the property. Similar liability may occur under applicable state law. The seller of a Property may not provide any representations or warranties in the purchase agreement regarding the presence of or the release of hazardous materials at or from a Property (*i.e.*, the purchase may be "as is" as to environmental matters). If any hazardous materials are found within a Property in violation of law at any time, a Fund may be held liable for all cleanup costs, fines, penalties and other costs. These costs may be substantial. This potential liability may apply to hazardous materials present within a Property before the Fund acquired that Property. If losses arise from hazardous substance contamination that cannot be recovered from a responsible party, the financial viability of that Property may be substantially affected. In an extreme case, that Property may be rendered worthless, or the Fund may be obligated to pay cleanup and other costs in excess of the value of that Property.

The Funds may purchase an environmental insurance policy when it acquires a Property, although they are not required to do so. This expense may be prorated and reimbursed by the tenants pursuant to their leases over the term of the policy. However, there can be no assurance that any insurance obtained will be sufficient to cover any liabilities. If a loss occurs that is partially or completely uninsured, a Fund may lose all or a part of its investment. Liability in such cases may be unlimited. While insurance may help reduce the risk of loss, it increases costs and thus lowers the potential return to the Fund.

Uninsured Losses/Unlimited Liability. The Funds will try to maintain adequate insurance coverage against liability for personal injury and property damage. There can be no assurance that the insurance obtained will be sufficient to cover any liabilities. Furthermore, insurance against certain risks, such as earthquakes, hurricanes and/or floods, may be unavailable or may only be available at commercially unreasonable rates or in amounts that are less than the full market value or replacement cost of a Property. In addition, there can be no assurance that particular risks that are currently insurable will continue to be insurable on an economical basis or that current levels of coverage will continue to be available. If a loss occurs that is partially or completely uninsured, a Fund may lose all or a part of its investment. The Funds may be liable for any uninsured or underinsured personal injury, death or property damage claims. Liability in such cases may be unlimited. While insurance may help reduce the risk of loss, it increases costs and thus lowers the potential return to the Funds.

Risks Specific to Funds focused on Precious Metals

General Risks Related to the Natural Resource Sector. Since the Gold Fund invests in securities of companies engaged in natural resources activities, the Gold Fund may be subject to greater risks and market fluctuations than funds with more diversified portfolios. The value of the Gold Fund’s securities will fluctuate in response to market conditions generally, and will be particularly sensitive to the markets for those natural resources in which a particular issuer is involved. The values of natural resources may also fluctuate directly with respect to real and perceived inflationary trends and various political developments. In selecting the Gold Fund’s investments, FAM will consider each company’s ability to exploit its natural resources and secure any necessary regulatory approvals. A company’s failure to perform well in any one of these areas, however, could cause its stock to decline sharply.

Natural resource industries throughout the world may be subject to greater political, environmental and other governmental regulation than many other industries. Changes in governmental policies and the need for regulatory approvals may have an adverse effect on the products and services of natural resources companies. For example, many natural resource companies have been subject to significant costs associated with compliance with environmental and other safety regulations. Such regulations may also hamper the development of new technologies. The direction, type or effect of any future regulations affecting natural resource industries are virtually impossible to predict.

Precious Metal-Related Securities Specifically. Precious metals funds typically make and hold substantial investments in the equity securities of companies that explore for, extract, process or deal in precious metals (*e.g*., gold, silver and platinum), and possibly in asset-based securities indexed to the value of such metals. Such securities may be purchased when they are believed to be attractively priced in relation to the value of a company's precious metal-related assets or when the values of precious metals are expected to benefit from inflationary pressure or other economic, political or financial uncertainty or instability. Based on historical experience, during periods of economic or financial instability the securities of companies involved in precious metals may be subject to extreme price fluctuations, reflecting the high volatility of precious metal prices during such periods. In addition, the instability of precious metal prices may result in volatile earnings of precious metal-related companies, which may, in turn, adversely affect the financial condition of such companies.

Item 9 -- Disciplinary Information

There are no legal or disciplinary events material to a client's or prospective client's evaluation of FAM's business to report.

Item 10 -- Other Financial Industry Activities and Affiliations

The two members of FAM also currently beneficially own PFIM.

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

A. FAM has adopted a Code of Ethics expressing its commitment to ethical conduct. FAM's Code of Ethics describes its fiduciary duties and responsibilities to its clients, and sets forth FAM's practice of monitoring the personal securities transactions of its supervised persons with access to investment recommendations. Under the Code, all of FAM's supervised persons have a duty to act only in the best interests of FAM's clients and all potential conflicts and violations of the Code must be promptly reported to FAM's Chief Compliance Officer ("CCO"). All supervised persons must acknowledge the terms of the Code of Ethics initially and annually or as amended from time to time. It is the expressed policy of FAM that no person employed by FAM shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients. FAM will provide a copy of its Code of Ethics to any client or prospective client upon request.

To supervise compliance with its Code of Ethics, FAM requires that all personnel provide initial and annual securities holdings reports and direct or cause all applicable broker(s) to send a copy of all account statements to the firm's CCO or his designee. FAM requires personnel to also receive approval from the CCO prior to investing in any initial public offerings or private placements.

B. As an advisor to one or more Funds, the FAM has an indirect beneficial interests in the investments owned by the Funds and is intended to receive performance-based compensation from one or more Funds. This creates a conflict of interest because FAM may have an incentive to recommend investments that are more risky than it would otherwise recommend if FAM did not receive performance compensation. However, FAM believes that the fact that certain related persons of FAM are investors in one or more of the Funds helps to mitigate this conflict. In addition, a Fund may have an advisory committee that includes members who are independent of FAM and that consult with FAM concerning conflicts of interest, certain types of investments and other Fund-related matters.

C. Each of FAM's beneficial owners of FAM currently are investors in each of the Funds that are currently managed by PFIM. FAM believes that such investments help to align its interests with the interests of the other investors in the Funds, as applicable, and thus works to mitigate against potential conflicts of interest.

In addition, in connection with any Fund investment, a Fund Sponso may, in its sole discretion, offer co-investment opportunities to strategic third-party investors and/or one or more Fund investors. Furthermore, the FAM Parties also may co-invest alongside the Funds in investment opportunities. The allocation of co-investment opportunities may involve a benefit to FAM or its Affiliates, including, without limitation, management fees, allocations or other compensation from the relevant co-investment opportunity. This may create an incentive for FAM to favor the Funds alongside which the FAM Parties co-invest over the Funds alongside which they do not. However, in an effort to mitigate this conflict of interest, FAM and its Affiliates may apply the amount of any management fees, allocations or other compensation received from a co-investment opportunity to reduce the fees and/or expenses payable by a Fund (via its investors on a pro rata basis) relevant to such co-investment opportunity to the extent provided under that Fund's Governing Documents. In addition, one or more of the Funds may have an advisory committee, which is designed to help mitigate these types of conflicts of interest. Moreover, as described above in Item 6, FAM does not discriminate on an impermissible basis against any client or group of clients. There can be no assurances with respect to the amount of any investment opportunity that will be allocated to a particular Fund.

D. It is not FAM's practice to recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that FAM or its related persons buy or sell the same securities for FAM's own (or such related person's own) account.

Item 12 -- Brokerage Practices

Although most of the Funds focus primarily on making investments in real estate, loans and other private securities (and do not ordinarily deal with securities intermediaries such as broker-dealers that execute securities transactions on behalf of the Funds for "commissions"), it is possible that one or more Funds will engage one or more such intermediaries. FAM may engage banks, lenders, real estate brokers, mortgage brokers, legal and tax experts, environmental experts, insurance professionals and other service providers. As described above in Item 10, FAM may, in their discretion, and in an arm's-length transaction, retain one or more of their Affiliates to perform Property Services for the Funds.

FAM's clients typically pay these service providers through commissions or other service fees. FAM considers a variety of factors when it considers engaging service providers and other intermediaries (including third-parties and Affiliates) on behalf of the Funds, including, but not limited to:

- Quality of services to be provided
- Qualifications and experience of service provider
- Alignment of interests with FAM's clients
- Prior experiences dealing with service provider
- Integrity, work ethic and reputation of service provider
- Cost

To the extent that FAM transacts in public securities for its clients, it is FAM's policy to seek best execution on behalf of its clients – that is, FAM seeks to achieve the best overall qualitative execution for a client in a particular circumstance. Best execution is not synonymous with the lowest brokerage commission. In seeking to achieve best execution, FAM considers the full range and quality of services a broker may provide, including (among other things), the experience and skill of the broker's securities traders; the broker's accessibility to primary markets and quotation services; for NASDAQ securities, whether a broker makes a market in that security; a broker's past history of successful, prompt and reliable execution of client trades; the financial strength and stability of the broker; the broker's administrative efficiency; commission rates; the overall net economic result to a client (involving both price paid or received and any commissions and other costs paid); the security price and its volatility; the size of the transaction, including the ability to effect the transaction at all where a large block is involved; the broker's availability to execute possibly difficult transactions in the future; and the receipt of research services. FAM may cause a client to pay a brokerage commission in excess of that which another broker might have charged for executing the same transaction if it determines that the commission paid was reasonable in relation to the value of the services provided by the broker.

FAM generally does not utilize "soft dollars" or "pay-up" for research. "Soft dollars" refers to FAM's receipt of research or other products or services other than execution from brokers. FAM may receive, without cost and unrelated to the execution of securities transactions, a broad range of research services from broker-dealers, including information on the economy, industries, groups of securities and individual companies, statistical information, market data, accounting and legal interpretations, political developments, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and other information which may affect the economy and/or security prices. FAM currently does not have any soft dollar arrangements in place that would commit its clients to any implied or explicit level of trading. FAM did not acquire any products or services with client brokerage commissions (or markups or markdowns) within its last fiscal year.

In the event that FAM were to receive any "soft dollar" benefits, however, FAM expects that they would qualify under the safe harbor provided for under Section 28(e) of the Securities Exchange Act of 1934, as amended. If FAM were to use client brokerage commissions (or markups or markdowns) to obtain "soft dollar" benefits, such as research or other products or services, it would receive a benefit because it does not have to produce or pay for the research, products or services. Consequently, FAM would have an incentive to select or recommend a broker-dealer based on its interest in receiving "soft dollar" benefits, rather than on its clients' interest in receiving most favorable execution.

Because each Fund deals primarily with private investments and private securities purchased directly from the issuer, FAM generally will not be able to aggregate such transactions for the Funds. However, where available and appropriate, FAM may aggregate purchases or sales of such investments for client accounts.

Item 13 -- Review of Accounts

FAM reviews client accounts and portfolios on a periodic basis, typically quarterly. This review is carried out collectively by FAM's principals, including its Chief Compliance Officer. Fund investors will receive written capital account statements from FAM quarterly, and may receive other written reports as described in the applicable Fund's Governing Documents. FAM also conducts meetings with clients and Fund investors upon request.

Item 14 -- Client Referrals and Other Compensation

FAM currently does not receive an economic benefit from any person who is not a client for providing investment advice or other advisory services. However, FAM may engage one or more placement agents. Any and all fees payable to any such placement agent(s) will be borne solely by FAM and/or an affiliate, and not by any investors.

Item 15 -- Custody of Client Assets

Under the Advisers Act, investment advisers to pooled investment vehicles are deemed to have custody with respect to the assets of such vehicles. However, advisers to pooled investment vehicles are considered to be in compliance with certain aspects of the applicable custody regulation if such pooled investment vehicle: (i) is audited at least annually; and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all investors (or other beneficial owners) within 120 days of the end of its fiscal year. The custody requirement regarding each Fund will be met as FAM intends, within 120 days of each Fund's fiscal year end, to deliver audited financial statements to Fund investors.

In addition, FAM sends quarterly account statements to each of our Fund investors identifying the amount of funds and each security (if any) in the Fund's portfolio as of the end of each quarter and setting forth all transactions during that quarter. We urge investors to compare the account statements that they receive from us with any that they may receive from Fund custodians.

Item 16 -- Investment Discretion

Subject to certain investment limitations and investor rights, FAM has discretionary authority over the investment activities of its Fund clients. Such discretionary authority is generally granted to FAM pursuant to the Governing Documents of each Fund and/or pursuant to FAM's separate investment advisory agreement with such Fund. FAM is obligated to exercise its investment discretion in a manner consistent with the stated investment objectives, policies, guidelines and restrictions/limitations for a particular Fund.

Item 17 -- Voting Client Securities

FAM does not purchase, on behalf of any of its clients, any securities that carry voting rights. If any such securities are acquired in the future, FAM will vote in a manner that serves the best interests of the relevant client.

Item 18 -- Financial Information

FAM does not solicit prepayment of fees six months or more in advance.

This item requires disclosure of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients to the extent that we have discretionary authority or custody of client funds or securities. Currently, there is no financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

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