PRIME ALGORITHMS INVESTMENTS INC.

CORPORATE GOVERNANCE & INVESTMENT FRAMEWORK

Contents

1. GOVERNANCE PHILOSOPHY & CORE PRINCIPLES

Prime Algorithms Investment Inc. ("PAI" or the "Company") is a quantitative investment firm built on the principles of algorithmic discipline, statistical verification, and investor transparency.

We believe in a clear division of labor: **Humans design the strategy; Machines execute the tactics.**

Our governance model replaces the traditional "discretionary" oversight of a large staff with **Technological Verification:**

- **Defined Constraints:** We do not second-guess the algorithms, but we strictly enforce the boundaries within which they operate. This includes a hard commitment to no short selling and no leverage.

- **Algorithmic Audit:** We apply "algorithms to the algorithms." We monitor our portfolios and funds using the algorithm, to confirm that they are operating within statistical norms.

- **Verification over Discretion:** We do not revise the specific portfolios selected by the models. Instead, we verify that the selection process completed accurately, accessed complete data, and adhered to our risk mandates.

- **Transparency as Oversight:** We embrace transparency in our reporting; we also do not obfuscate with volume, and we strive to avoid jargon.   Our reporting is complete and to the point.   The frequency of reporting is based on feedback from our investors.

- **Review of Processes with Experienced Advisors:** We know we are learning, we are focused on improving, we will make mistakes. To avoid making mistakes, we review our processes with industry experts.

- **Most processes are automated or outsourced.**   Where possible processes are automated.

2. CORPORATE STRUCTURE & KEY PERSONNEL

The Company operates as a cross-border structure designed to efficiently manage capital for Canadian and International investors while accessing US markets.

- **Prime Algorithms Investments Inc:**

    - *Jurisdiction:* **Canada**

    - *CEO:* Mark Switzer (Full-time). Responsible for Algorithm Architecture, Systems Development, and Executive Management.

- **Prime Algorithms Funds (The Fund General Manager):**

    - *Jurisdiction:* **Florida (US C-Corp)**

    - *CEO:* Myles Harvey. Responsible for US Operations, Fund Administration, and Trading Execution (Audit Accounts).

- **Advisory Council:**

    - **Scott Manderson:** Capital Development & Sales Strategy.

    - **Hugh Oswald:** Strategic Advisor (Capital Markets & Corporate Structuring).

    - **Jamsheed Mehta:** Fund Structure, Fund Operations, Fund Guidance, and Commercialization Strategy.

3. INVESTMENT DECISION FRAMEWORK

3.1 STRATEGIC DESIGN: THE "ALGORITHM APPROVAL" PROCESS

Investment decisions at PAI begin with the selection of the Portfolio not the selection of individual stocks. The Executive Team and Advisory Council focus their efforts on validating the mathematical models rather than discretionary stock picking.

- **Design Phase:** Periodically, new signals, new data sampling frequencies, new source data, new markets, new algorithms, new timeframes for adjustment, new portfolio weighting models, and new funds are created. This is currently all performed by Mark Switzer.

- **Validation Phase:** Before deployment, new signals, new algorithms, new portfolios and new funds undergo statistical back-testing to verify they produce results within acceptable risk/return parameters.

- **Selection Stage:** Periodically, dependent on capital requirements, new portfolios (idPortfolio, Size, Method) selections are added to the Audit pool. This is based on a hypothesis and objective model. The advisory committee confirms all audit portfolio selections. Audit scope can be changed based on the contracts signed with clients, or based on fiduciary responsibilities to Prime Algorithms Funds.

- **Immutable Execution:** Once an algorithm is approved for the fund (e.g., "Gen 7 Small Cap"), its output is treated as a mandate. The Investment Committee does not "cherry-pick" or second-guess individual equity selections generated by the model, provided they meet the fund's Hard Constraints (see Section 4).

3.2 OPERATIONAL EXECUTION: THE "TRADELOADER" SYSTEM

The execution of the investment strategy is managed by the Company's proprietary software infrastructure, known internally as the TradeLoader system.

- **Gap Analysis:** The system automatically calculates the "Gap" between the Model Portfolio (Target) and the Live Portfolio (Current Holdings).

- **Trade Generation:** Buy and Sell orders are generated strictly to close these gaps.

  o *Sells* are prioritized to raise cash or remove positions that no longer fit the model.

  o *Buys* are sized dynamically based on available capital and target weightings.

- **Human Verification:** Currently, a designated Trading Officer (CEO of Prime Algorithms Funds) reviews the system-generated trade list to verify data integrity before execution. As the fund scales, this step will transition to "Exception-Based" monitoring, where human intervention is required only for system alerts.

3.3 Ranking Protocols & Strategy Retirement (The "Unranked" Rule)

We employ a rigorous "Survival of the Fittest" approach to portfolio construction.

- **The "Unranked" Rule:** Our algorithms continuously rank the investable universe. If a held position's rank degrades to "Unranked" (falling outside the top tier of the model), it is automatically flagged for liquidation. We do not hold "legacy" positions out of sentiment or hope for recovery.

- **Statistical Monitoring:** We apply "algorithms to the algorithms." We perform periodic statistical analysis to confirm that the live portfolio's performance remains within **2 Standard Deviations** of the model's expected distribution.

- **Quarterly Review:** The Executive Team reviews the efficacy of the underlying algorithms on a quarterly basis. Strategies that consistently fail to meet statistical expectations or risk parameters are deprecated and replaced, ensuring the Audit Fund and Prime Algorithms Funds evolve with market conditions.

4. Risk Management & Algorithmic Constraints

4.1 Hard Constraints (The "Never" Rules)

The Company enforces a strict, binary set of investment constraints that supersede all algorithmic signals. These constraints are designed to eliminate catastrophic "tail risk" associated with complex derivatives and borrowing.

- **No Short Selling:** The Funds are strictly "Long Only." We do not engage in short selling of equities, options, or futures.
- **No Leverage:** We do not utilize margin debt or portfolio leverage to enhance returns. Cash balances must be sufficient to settle all purchases.
- **No Implicit Leverage:** The Funds are prohibited from holding "Complex Exchange Traded Products" that contain internal leverage or inverse characteristics (e.g., 2x Bull/Bear ETFs), ensuring that our exposure is always 1:1 with the underlying assets.

4.2 Statistical Monitoring (The "2 Standard Deviation" Check)

We recognize that markets evolve and algorithms can decay. To mitigate model risk, we apply "algorithms to the algorithms."

- **Statistical Monitoring:** We perform periodic statistical analysis comparing the Live Portfolio's performance against the Model's theoretical distribution.
- **The Deviation Threshold:** If the Live Portfolio's results deviate by more than **2 Standard Deviations** from expected behavior (positive or negative), a mandatory review is triggered.
- **Remediation:** A breach of this threshold results in an immediate assessment by the Investment Committee to determine if the divergence is due to:
    - *Execution Slippage:* (Market microstructure issues).
    - *Regime Change:* (Fundamental shift in market behavior).
    - *Model Decay:* (The algorithm has lost predictive power).
    - *Action:* If model decay is confirmed, the strategy is paused or retired (see Section 3.3).

4.3 Execution Risk Controls

Trade execution protocols are bifurcated based on the scale of capital deployment:

- **Audit Account Execution:** For smaller "Audit" positions (typically <$10,000), execution prioritizes speed and efficiency, utilizing market orders under human supervision.
- **Fund Level Execution (Scaled Liquidity Logic):** As the Funds deploy significant capital, the TradeLoader system enforces advanced liquidity logic:
    - **Spread Checks:** Orders are paused if the Bid/Ask spread exceeds historical norms for the asset.
    - **Volume Participation:** Trade sizes are capped at a percentage of average daily volume (ADV) to minimize market impact.

- **Fractional Order Management:** The Funds utilize fractional share trading to ensure precise weighting. Fractional components exceeding **$160** are flagged for manual handling to optimize price improvement.

4.4 LIQUIDITY & CAPACITY MANAGEMENT

To ensure that capital growth does not dilute investment performance, the Company enforces strict liquidity safeguards.

- **Market Cap Floors:** The Funds are prohibited from investing in illiquid, micro-cap, or "Pink Sheet" securities. Our algorithms are constrained to select equities listed on major exchanges (NYSE, NASDAQ, TSX) with sufficient average daily volume (ADV) to support institutional execution.
- **Capacity Monitoring:** We view the Funds' capacity as finite. We monitor Assets Under Management (AUM) relative to the liquidity depth of our strategies. The Manager reserves the right—and acknowledges the duty—to close the Funds to new capital if AUM growth threatens to degrade trade execution or return potential.

5. OPERATIONAL CONTROLS & TECHNOLOGY SECURITY

5.1 INTELLECTUAL PROPERTY PROTECTION (CODE REPOSITORIES & ACCESS)

- **Custodianship:** Prime Algorithms Investments Inc. serves as the **exclusive commercial custodian** of the underlying algorithmic intellectual property. The Company holds an irrevocable, exclusive license to commercialize, deploy, and modify the source code for the benefit of the Funds.
- **Code Security:** Source code is transitioned to private, encrypted repositories (e.g., GitHub Private) to prevent unauthorized dissemination.
- **Deployment Control:** Given the Company's current lean infrastructure, "Development" and "Production" activities are logically separated by strict access protocols rather than physical infrastructure. The Chief Architect (Mark) retains sole authority to "promote" code into the live trading cycle, serving as the human firewall against accidental errors or untested logic entering the production environment. *Full infrastructure segmentation is road mapped for implementation following the Seed Capital closing*.

5.2 BROKERAGE CONTROLS (INTERACTIVE BROKERS RESTRICTIONS)

- **Qualified Custodian:** All Fund assets are held in segregated accounts at **Interactive Brokers LLC**, a US-regulated broker-dealer and FINRA member. The Company does not self-custody assets.
- **Cash Movement Restrictions:** Cash withdrawals from Fund accounts are strictly limited. The brokerage account is configured to allow third-party wires *only* to verified Fund administration accounts or back to the Limited Partners.

- **Dual Authorization:** Any manual movement of capital exceeding a defined threshold $20,000 requires dual authorization from both the CEO of the General Manager (Myles) and the CEO of Prime Algorithms (Mark) or will be authorized through a corporate resolution.

5.3 CYBERSECURITY & DATA INTEGRITY

- **Authentication:** Multi-Factor Authentication (MFA) is mandatory for all access to brokerage accounts, cloud servers, and corporate document repositories.
- **Data Encryption:** Investor data (PII) and proprietary trading data are encrypted both in transit and at rest.
- **Device Security:** All devices used for Fund operations are required to have full-disk encryption and active endpoint protection.

5.4 BUSINESS CONTINUITY (KEY PERSON RISK)

To mitigate "Key Person Risk," the Company maintains a **Business Continuity Plan**:
- **Emergency Access:** "Break Glass" credentials for all critical systems (Brokerage, Servers, Repositories) are secured in a physical/digital vault accessible only by authorized secondaries and Legal Counsel in the event of the Chief Architect's incapacitation.   (Specifically, the Friends and Family round investors with the initials of AK and GG, will be contacted by the investor with initials of JC, who maintains keys and access to the servers, all processes are automated, and all passwords are within a password manager, where the access code to the password manager is held by JC).
- **System Documentation:** The core trading architecture is documented to a level that would allow a qualified third-party engineer to maintain or orderly wind down the positions if necessary.
- **Automated Safety:** In the absence of daily human confirmation, the trading system is designed to "Fail Safe"—halting new trade generation while maintaining existing positions or executing a pre-programmed liquidation to cash.

5.5 CORPORATE RECORD KEEPING & DOCUMENT INTEGRITY

- **Digital-First Retention:** All material contracts, investor subscriptions, and corporate resolutions are executed digitally (e.g., via DocuSign) or manually and stored in a secure, access-controlled cloud environment, with physical copies stored at our corporate offices.
- **Audit Trail:** Shareholder registries and Investment Committee decisions are documented digitally, creating an immutable audit trail of governance actions.

6. FINANCIAL INTEGRITY & INVESTOR TRANSPARENCY

6.1 REPORTING CADENCE (WEEKLY ESTIMATES VS. MONTHLY FINALS)

We believe transparency is the ultimate risk control.

- **Weekly "Flash" Reporting:** Investors receive a weekly estimate of performance, net exposure, and key activities. This high-frequency reporting ensures investors are never "in the dark" about Prime Algorithms direction.   This period may be adjusted based on feedback from investors.
- **Yearly Audit Reports:** On an annual basis, our traded portfolios are audited, with audit certificates available within a month of the yearly boundary.
- **Quarterly Investor Call:** A Google Meet or a Zoom Call will be organized to provide a forum for reporting and Q&A between Prime Algorithms and it's investors.
- **Annual Results:** Within 90 days of our year end, Prime Algorithms will distribute an annual report with audited financial statements.
- **Fund Reporting**
  - **Monthly Official Reporting:** A reconciled performance report is issued within 15 days of month-end, serving as the official record of Net Asset Value (NAV).
  - **Quarterly Strategic Letter:** The Executive Team issues a quarterly commentary detailing algorithmic performance, market observations, and governance updates.

6.2 EXPENSE POLICY & LEAN OPERATIONS

- **"Low Friction" Model:** The Manager is committed to a lean expense structure. We utilize technology to automate middle-office functions (reconciliation, trade generation) that typically require expensive headcount at legacy firms.
- **Expense Cap:** Organizational costs are strictly monitored to maximize the net return to Limited Partners. Any extraordinary expenses outside the ordinary course of business require Advisory Council review.

6.3 VALUATION POLICY (MARKET PRICING VIA IBKR)

- **Market Pricing:** 100% of the Funds' assets are publicly traded securities with Level 1 inputs (observable market prices).
- **No "Mark-to-Model":** The Company does not hold private, illiquid, or "hard-to-value" assets. The Net Asset Value (NAV) is derived directly from the Prime Broker's official closing marks, eliminating subjective valuation risk.

7. COMPLIANCE & ETHICS

7.1 CONFLICTS OF INTEREST

7.1.1 Principal Co-Investment ("Skin in the Game") The Company's financial structure is predicated on the alignment of interests between the Manager and the Limited Partners.

- **Majority Stake:** The Chief Architect (Mark) personally holds a majority (>50%) equity interest in Prime Algorithms Investments Inc. and maintains a substantial portion of his personal net worth invested alongside Client Funds.
- **Audit Account Integration**: Currently, Principal capital is commingled with Investor capital in "Audit Accounts" to validate algorithmic performance. As the Funds launch, this capital will be systematically re-allocated into the Limited Partnerships (Velocity/Resilience).
- **Fund General Manager (Myles)**: Myles trades personal accounts after all audit and fund related trades.
- **Audit vs Fund**: We do not trade the Fund combined portfolio outside of the Fund. We do not distribute the Fund portfolio holdings to any party ahead of the completion of trades within the Fund. Funds can grab from any of the portfolios, and individual portfolios may be traded within the Audit project.
- **Licensed Portfolio Clients**: Portfolio and Fund information is emailed during non-market hours to all recipients in a single process. Clients with licensed portfolios do not get access to the data before the fund or the audit accounts, but they don't get access later than the fund or the audit accounts. The funds which are dynamically selected portfolios may select any portfolio that is calculated (even exclusive portfolios). Any exclusively licensed portfolio will be removed from our audited portfolio list.

7.1.2 Pari-Passu Treatment To prevent preferential treatment of Principal capital:

- **Same Terms:** Capital invested by Principals and Affiliates is subject to the **exact same** terms, fees, lock-up periods, and redemption notice requirements as external Limited Partners.
- **No Liquidity Preference:** Principals cannot withdraw capital ahead of external investors during periods of market stress.
- **Future Liquidity:** While Principals expect to draw market-rate compensation and eventually redeem capital for personal liquidity (e.g., real estate transactions), such redemptions must strictly adhere to the Fund's standard withdrawal windows and notice periods.

7.2 PERSONAL TRADING POLICY

- **No Front Running:** Key personnel are prohibited from executing personal trades in the same direction as a pending Fund order until the Fund's order is fully filled.
- **Restricted List:** Personnel are restricted from trading securities where the Company possesses material non-public information (MNPI), though given our algorithmic nature, such possession is rare.

7.3 REGULATORY STATUS (EXEMPT REPORTING ADVISOR / EMD EXEMPTIONS)

- **Exempt Reporting Adviser (ERA):** The Manager operates under the "Private Fund Adviser Exemption" (Section 203(m) of the Investment Advisers Act of 1940) as an adviser solely to private funds with assets under management of less than $150 million in the United States.
- **Canadian Exemptions:** In Canada, the Company relies on the "Private Issuer" and "Accredited Investor" exemptions under National Instrument 45-106, limiting the distribution of securities to qualified family, friends, and business associates.

7.4 PRIVACY AND DATA PROTECTION

- **Data Minimization:** We collect only the data strictly necessary for legal compliance (AML/KYC) and tax reporting.
- **Security:** Investor data is stored in encrypted environments and is never sold or shared with third-party marketers. Access is restricted to the Executive Team and designated administrative personnel on a strict "need-to-know" basis.

8. SERVICE PROVIDERS

8.1 LEGAL COUNSEL

- **US/Fund Counsel:** Capital Fund Law Group (Proposed)
- **Corporate Counsel:** [TBD / Retained Ad-Hoc]

8.2 BANKING & BROKERAGE

- **Prime Broker & Custodian:** Interactive Brokers LLC (Member NYSE, FINRA, SIPC).
- **General Partner Banking:** JPMorgan Chase Bank, N.A.
- **Prime Algorithms Investments Banking:** Bank of Montreal

8.3 TAX & ACCOUNTING

Accountant: Burgess Kilpatrick CPA
Auditor: Mercurius