

## Firefly Value Partners, LP

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**February 14, 2012**

This brochure provides information about the qualifications and business practices of Firefly Value Partners, LP ("**Firefly**" also referred to herein as "**us**" and "**we**"). If you have any questions about the contents of this brochure, please contact Firefly's Chief Compliance Officer ("**CCO**"), Evan Gelacek at (212) 672-9600 or by email at [info@fireflyvalue.com](mailto:info@fireflyvalue.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.

Registration of an investment adviser does not imply that Firefly or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Firefly is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

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This is Firefly's first brochure prepared using the SEC's revised Form ADV Part 2A, thus no material changes in prior filings are reportable.

**Item 3: Table of Contents**

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**Item 4: Advisory Business**

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Firefly, a Delaware limited partnership with a principal office in New York, New York, has been in business since May 2006, and has managed the Funds (as defined below) since July 2, 2007, and provides investment management services to the following privately pooled investment funds:

- FVP Master Fund, L.P. (the “**Master Fund**”), which is a Cayman Islands exempted limited partnership that invests primarily in North American equities and other securities;
- FVP US-Q, LP (the “**Domestic Fund**”), which is a Delaware limited partnership that invests directly in and through the Master Fund;
- FVP Overseas Fund, Ltd. (the “**Offshore Fund**”), a Cayman Islands exempted company that invests directly in and through the Master Fund.

FVP GP, LLC (the “**General Partner**”) a Delaware limited liability company, is the general partner of the Domestic Fund and the Master Fund.

The Master Fund, Domestic Fund and the Offshore Fund are collectively referred to as the “**Funds**”. The Funds are the clients of Firefly under the Investment Advisers Act of 1940 (the “**Advisers Act**”). Interests in the Funds are offered on a private placement basis to investors (the “**Investors**”) who are “qualified purchasers” (or “knowledgeable employees”) as defined under the Investment Company Act of 1940 (the “**Investment Company Act**”) in reliance on private placement exemptions available to “accredited investors” as defined in the Securities Act of 1933 (the “**Securities Act**”). Interests in the Offshore Fund are generally offered to Investors who are “qualified purchasers” and “accredited investors” but are not “U.S. Persons” as defined in Regulation S of the Securities Act. Interests in the Offshore Fund are also offered to Investors who are “qualified purchasers” and “accredited investors” but are exempt from taxation in the United States.

Firefly provides advice to the Funds based on specific investment objectives and strategies. Firefly builds a portfolio for the Funds around a return engine comprised of four mutually reinforcing elements: (i) deep fundamental primary research and business analysis; (ii) a rigorous, proprietary investment process that ensures that we are applying our deep research to the right universe of ideas; (iii) a portfolio concentrated in the best investment candidates that emerge from our research; (iv) a three- to five-year investment time horizon that allows us to make investments that others, with a shorter time horizon, will not. The Funds invest primarily in North American equities, but may, except as described in the Funds' offering documents, invest in a wide array of securities and other instruments, both public and private, as Firefly determines is appropriate for the Funds. Firefly does not tailor advisory services to the individual needs of Investors in the Funds.

Ryan Heslop and Ariel Warszawski (the “**Portfolio Managers**”) are the Limited Partners and principal owners of Firefly. The Portfolio Managers are also managing members of Firefly Management Company GP, LLC, a Delaware limited liability company, which is the general partner of Firefly and controls Firefly. The general partner of Firefly has ultimate responsibility for the management, operations and the investment decisions made by Firefly.

As of December 31, 2012, the net asset value of the Funds managed by Firefly, all on a discretionary basis, was \$528,291,192.

## Item 5: Fees and Compensation

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Pursuant to the offering documents and advisory agreements, the Funds are generally charged a fee consisting of: (i) a management fee based upon the net asset value of the Funds on a quarterly basis, and (ii) a performance allocation which is calculated based upon a percentage of the net capital appreciation of the Funds at the end of each fiscal year.

### Management

Firefly's current management fee schedule for the Funds is generally as follows:

The Domestic Fund	2%
The Offshore Fund	2%
The Master Fund	2%

Firefly will receive a management fee, payable quarterly in advance, equal to 0.5% (approximately 2% annually) of each Investor's share of the Funds' net asset value ("**Management Fee**"). Firefly, in its sole discretion, may waive, reduce or rebate the Management Fee with respect to one or more Investors for any period of time, or agree to apply a different Management Fee for an Investor (all such arrangements in the form of a rebate or otherwise as determined by the General Partner).

All fees described in this Item 5 are deducted from the Investors' accounts by instructing the Funds' custodian. The Funds shall pay for their organizational and initial offering expenses as well as for their operating expenses, including but not limited to: (i) all operating expenses of the Funds, tax preparation fees, governmental fees and taxes, director fees and expenses, administrator and registrar and transfer agent fees, communications with Investors, and ongoing legal, accounting (including, without limitation, portfolio accounting software), auditing, bookkeeping, consulting and other professional fees and expenses; (ii) all research (e.g., due diligence on issuers, data services), trading and investment related costs and expenses (e.g., outsourced trading fees and expenses, brokerage commissions, margin interest, expenses related to short sales, custodial fees, clearing and settlement charges); and (iii) all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims, assertion of rights or pursuit of remedies, by or against the Funds (including, without limitation, professional and other advisory and consulting expenses and travel expenses, and whether not pursuant to bankruptcy or other legal proceedings, or participation in informal committees of creditors or other security holders of an issuer). The Funds may incur brokerage and other transaction costs. For further details on the Firm's brokerage practices refer to Item 12 of this brochure.

Firefly and its employees do not accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

### Early Withdrawal or Redemption

Investments in the Domestic Fund and the Offshore Fund are subject to lock-up periods and early withdrawal or redemption fees, as disclosed in the offering documents. The following is a summary of the early withdrawal or redemption fees applicable by series or type of interest of each respective Fund.

*Domestic Fund:*

Series A Interests: An Investor holding Series A Interests that elects to make a withdrawal from a capital account (or a portion of a capital account) attributable to such Series A Interests (i) after the expiration of the applicable lock-up period, but within 12 months of the end of such lock-up period, shall be subject to an early withdrawal fee equal to 4% of the amount withdrawn, and (ii) after the expiration of the 12 month period after the end of the applicable lock-up period, but within 24 months after the end of such lock-up period, shall be subject to an early withdrawal fee equal to 2% of the amount withdrawn.

Series B Interests: An Investor holding Series B Interests that elects to make a withdrawal from a capital account (or portion of a capital account) attributable to such Series B Interests (i) after the expiration of the applicable lock-up period, but within 12 months of the end of such lock-up period, shall be subject to an early withdrawal fee equal to 4% of the amount withdrawn, (ii) after the expiration of the 12 month period after the applicable lock-up period, but within 24 months after the end of such lock-up period, shall be subject to an early withdrawal fee equal to 2% of the amount withdrawn, and (iii) after the expiration of the 24 month period after the end of the applicable lock-up period, but within 36 months after the end of such lock-up period, shall be subject to an early withdrawal fee equal to 1% of the amount withdrawn.

Series C Interests: An Investor holding Series C Interests that elects to make a withdrawal from a capital account (or portion of a capital account) attributable to such Series C Interests (i) after the expiration of the applicable lock-up period, but within 12 months of the end of such lock-up period, shall be subject to an early withdrawal fee equal to 6% of the amount withdrawn, and (ii) after the expiration of the 12 month period after the end of the applicable lock-up period, but within 24 months after the end of such lock-up period, shall be subject to an early withdrawal fee equal to 4% of the amount withdrawn.

Series D Interests: An Investor holding Series D Interests that elects to make a withdrawal from a capital account (or portion of a capital account) attributable to such Series D Interests (i) after the expiration of the applicable lock-up period, but within 12 months of the end of such lock-up period, shall be subject to an early withdrawal fee equal to 6% of the amount withdrawn, (ii) after the expiration of the 12 months period after the applicable lock-up period, but within 24 months after the end of such lock-up period, shall be subject to an early withdrawal fee equal to 4% of the amount withdrawn, and (iii) after the expiration of the 24 month period after the end of the applicable lock-up period, but within 36 months after the end of such lock-up period, shall be subject to an early withdrawal fee equal to 2% of the amount withdrawn.

*Offshore Fund:*

Group I Shares: An Investor holding Group I Shares that elects to redeem such shares (i) after the expiration of the applicable lock-up period, but within 12 months of the end of such lock-up period, shall be subject to an early redemption fee equal to 4% of the net asset value of the shares redeemed, and (ii) after the expiration of the 12 month period after the end of the applicable lock-up period, but within 24 months after the end of such lock-up period, shall be subject to an early redemption fee equal to 2% of the net asset value of the shares redeemed.

Group II Shares: An Investor holding Group II Shares that elects to redeem such shares (i) after the expiration of the applicable lock-up period with respect to such shares, but within 12 months of the end of such lock-up period shall be subject to an early redemption fee equal to 4% of the net asset value of the shares redeemed, (ii) after the expiration of the 12

month period after the end of the applicable lock-up period, but within 24 months after the end of such lock-up period, shall be subject to an early redemption fee equal to 2% of the net asset value of the shares redeemed, and (iii) after the expiration of the 24 month period after the end of the applicable lock-up period, but within 36 months after the end of such lock-up period, shall be subject to an early redemption fee equal to 1% of the net asset value of the shares redeemed.

Group III Shares: An Investor holding Group III Shares that elects to redeem such shares (i) after the expiration of the applicable lock-up period, but within 12 months of the end of such lock-up period, shall be subject to an early redemption fee equal to 6% of the net asset value of the shares redeemed, and (ii) after the expiration of the 12 month period after the end of the applicable lock-up period, but within 24 months after the end of such lock-up period, shall be subject to an early redemption fee equal to 4% of the net asset value of the shares redeemed.

Group IV Shares: An Investor holding Group IV Shares that elects to redeem such shares (i) after the expiration of the applicable lock-up period with respect to such shares, but within 12 months of the end of such lock-up period shall be subject to an early redemption fee equal to 6% of the net asset value of the shares redeemed, (ii) after the expiration of the 12 months period after the end of the applicable lock-up period, but within 24 months after the end of such lock-up period, shall be subject to an early redemption fee equal to 4% of the net asset value of the shares redeemed, and (iii) after the expiration of the 24 month period after the end of the applicable lock-up period, but within 36 months after the end of such lock-up period, shall be subject to an early redemption fee equal to 2% of the net asset value of the shares redeemed.

The Series A Interests and Series C Interests of the Domestic Fund and Group I Shares and Group III Shares of the Offshore Fund are subject to one year lock-up periods (the “**Three Year Class**”). The Series B Interests and Series D Interests of the Domestic Fund and Group II Shares and Group IV Shares of the Offshore Fund are subject to two year lock-up periods (the “**Five Year Class**”). The Series A Interests and Series B Interests of the Domestic Fund and Group I Shares and Group II Shares of the Offshore Fund have quarterly liquidity for Investor redemptions. The Series C Interests and Series D Interests of the Domestic Fund and Group III Shares and Group IV Shares of the Offshore Fund have annual liquidity for Investor redemptions.

### Incentive

Firefly’s current performance allocation schedule for the Funds is generally as follows:

Three Year Class: 17.0% of the annual net profits, net of management fee, subject to a standard high water mark.

Five Year Class: 15.0% of the annual net profits, net of management fee, subject to a standard high water mark.

Net profits are calculated net of management fees, but before the performance-based fee allocation.

The performance allocation is subject to what is commonly known as a “high water mark” procedure. That is, if a series of interests has a net loss in any fiscal year, such loss will be recorded and carried forward as to such series to future fiscal years (the amount of such loss is referred to as a “**Loss Carryforward**”). Whenever there is a Loss Carryforward for a series of interests with respect to a fiscal year, the General Partner will not receive the

performance-based fee allocation with respect to such series for the current fiscal year or future fiscal years until the Loss Carryforward amount for such Investor has been recovered (i.e., when the Loss Carryforward amount has been exceeded by the cumulative profits allocable to such series for the fiscal years following the Loss Carryforward). Once the Loss Carryforward has been recovered with respect to a series, the performance-based fee allocation will be drawn on the excess profits (over the Loss Carryforward) with respect to such series, rather than on all profits. The “high water mark” procedure prevents the General Partner from receiving the performance allocation for profits that simply restore previous losses, and is intended to ensure that the performance-based fee allocation is attributed to the long-term performance of an investment in the Funds.

The General Partner has the discretion to reduce or eliminate the performance-based fee allocation with respect to any Investor.



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

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Performance allocations are charged in compliance with Rule 205-3 of the Advisers Act. Investors in the Funds are generally charged an annual performance allocation which is calculated based upon a percentage of the net capital appreciation of the Investors' interests in the Funds at the end of each fiscal year, as described in Item 5, above.

Performance-based fee arrangements may create an incentive for Firefly to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities; however Firefly avoids any such incentive or conflict of interest as it trades through a master-feeder structure. The Master Fund holds the portfolio of the Domestic Fund and the Offshore Fund, and thus, the Investors. Therefore, all Investors hold the same investment opportunities and are allocated such opportunities pro rata. Firefly has procedures designed and implemented to ensure that all Investors are treated fairly and equally, and to prevent any conflict from influencing the allocation of investment opportunities among clients. Risks associated with the master-feeder structure are described in more detail in Item 8, below.

No other hourly, flat or asset-based fees are charged to the Funds, except the Management Fee as discussed in Item 5.

**Item 7: Types of Clients**

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Investors in the Funds consist primarily of institutional Investors, high net worth individuals, trusts, estates, charitable organizations, foundations and endowments.

The minimum initial investment for the Funds is U.S. \$1,000,000, subject to the discretion of Firefly or the General Partner to accept lesser amounts.

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

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***Methods of Analysis & Investment Strategy***

Firefly is a long/short equity hedge fund built around a return engine comprised of four mutually reinforcing elements:

1. Deep fundamental primary research and business analysis.
2. A rigorous, proprietary investment process that ensures that we apply our deep research to the right universe of ideas.
3. A portfolio concentrated in the best investment candidates that emerge from our research.
4. A three-to five-year investment time horizon that allows us to make investments that others, with a shorter time horizon, will not.

Our investment approach, on both sides of the ledger, is uniquely designed to exploit both economic “reversion to the mean” and the behavioral biases prevalent among investors.

**Reversion to the Mean:** In most businesses, capacity expansion/retirement and business entry/exit are mechanisms that center returns on capital around a global mean over time. However, these same forces as well as exogenous events (e.g. oil shocks, geopolitical risks, natural disasters, etc.) can cause dislocations pushing either supply or demand off trend, which can cause companies’ and industries’ results to deviate markedly from their mid-cycle mean. The forces that bring back some form of economic “equilibrium” take time. In our view, this lag provides an opportunity for an investor willing to identify the transitory state of affairs and focus on a company’s long-term mid-cycle earnings power.

**Behavioral Biases:** Researchers have shown that, contrary to traditional economic theory, human beings do not always make sound financial decisions when faced with the stress and uncertainty that accompanies investing. Phenomena such as loss aversion and anchoring, as well as various decision heuristics (e.g. “vividness” and “recency”) can cause seemingly irrational movements in stock prices. Businesses and sectors with clearly identifiable risks or worsening fundamentals tend to be punished while businesses in “hot markets” are given credit for perpetual smooth sailing. As business results deviate from their longer-term economic potential, behavioral biases can create unusually profitable investment opportunities.

We research potential investments diligently and focus on trying to understand the key economic drivers of the underlying businesses. The primary research begins with reading securities filings and earnings transcripts, and studying up to twenty years of the businesses’ (and its competitors’) financial performance. A key step in our primary research is to identify and contact relevant company and industry sources (including, among others, customers, competitors, consultants, former employees, company management, etc.) necessary to help us answer the key questions we identify.

Our investment process helps us identify these potential pockets of unusual profits. Only through diligent research can we steel ourselves against the inevitable pull of these biases and hold onto these investments in the midst of their difficulties. Over time we believe that our strategy will succeed, as the realization of true business economics, driven by reversion to the mean and the accompanying market reactions, fuel the potential for substantial excess returns. Ultimately, we attempt to understand whether a business’s earnings power can revert to a historical mean, and what that mean should be.

We also maintain a short portfolio, which is important for two reasons: (i) we expect the short portfolio to generate valuable incremental returns, and (ii) when the overall market declines substantially, the Funds' short portfolio may help preserve the Funds' capital base. The research process for both short and long investments is the same, however, short positions must meet different criteria. Each short security in the Funds' portfolio should (i) have current reported results and/or investor expectations that significantly over-state the longer-term economic potential of the underlying business; and (ii) exceed a significant return hurdle to compensate the Funds for the variety of risks inherent in shorting stocks.

By having Investors that truly have a 3- to 5-year time horizon, we are able to make investments that shorter term Investors will not. By taking this long view, we are able to hold investments with significant return potential as longer-term business prospects are realized despite not knowing the exact timing of this regression to the mean. Over a 3- to 5-year window, this strategy has the potential to produce superior results. Conversely, in the pursuit of attractive long term returns, we do not manage towards specific volatility targets.

We may modify the investment objectives and strategies of the Funds at any time.

### ***Risk of Loss Factors***

The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. We have included only the risks that we believe to be material, significant or unusual and relate to the investment strategies or methods of analysis described above. Prospective Investors are urged to consult their professional advisers and review the legal documents for each particular Fund before deciding to make an investment in a Fund.

#### *Master-Feeder Structure; Concentration of Investors.*

The "master-feeder" fund structure presents certain risks to Investors in the Fund. For example, a smaller feeder fund investing in the Master Fund may be materially affected by the actions of a larger feeder fund investing in the Master Fund. If a larger feeder fund makes a withdrawal from the Master Fund, the remaining feeder funds may experience higher pro rata operating expenses, thereby producing lower returns. The Master Fund may become less diverse due to a withdrawal by a larger feeder fund, resulting in increased portfolio risk. The Master Fund is a separate entity and creditors of the Master Fund may enforce claims against all of the assets of the Master Fund. It is not possible to isolate the assets attributable to each of the Funds and any other funds or entities investing in the Master Fund. Further, a significant portion of a feeder fund may come from one or a few large Investors and any significant withdrawals thereof could have a material adverse effect on the other Investors in the Master Fund. Firefly may from time-to-time manage the Fund and the Master Fund to maximize tax benefits to Investors, creating certain conflicts of interest relating to the tax considerations applicable to the Funds.

#### *Concentration of Investments*

The Funds may have concentrated portfolios which Firefly believes will provide the best opportunity for attractive returns. The concentration of the Funds' portfolios in a small number of issuers or industries subjects the Funds to a greater degree of risk with respect to the failure of one or a few issuers or with respect to economic downturns in relation to such industries.

*Investment Expenses*

The investment expenses (e.g., expenses related to the investment and custody of the Funds' assets, such as brokerage commissions, custodial fees and other trading and investment charges and fees) as well as other fees (as described in Item 5, above) may, in the aggregate, constitute a high percentage compared to other investment entities. The Funds will bear these costs.

*Short-Sales*

Firefly may effect short sales. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Funds' portfolios. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

*Leverage*

The Funds may trade on margin, engage in other forms of borrowing to finance their operations and use other forms of financial leverage. The level of interest rates and the rates at which the Funds can borrow will affect the operating results of those Funds. Fluctuations in the market value of the portfolio of a heavily leveraged investment vehicle can have a disproportionately large effect in relation to the capital of that vehicle. Any event which may adversely affect the value of positions held by an investment vehicle could significantly affect the net asset value. Firefly may also borrow funds from time to time for liquidity purposes or otherwise as it deems appropriate.

*Potential Conflicts of Interest*

Although Firefly and its respective principals, employees and affiliates currently devote a substantial part of their time to the affairs of the Funds, they are not obligated to do so. Firefly and its respective principals, employees and affiliates generally may not make trades and investments for their own accounts. In these accounts, the Firefly principals, employees and affiliates generally may only sell positions they previously owned or cover positions they held short with the permission of the CCO. Investors will not be entitled to inspect those trading records of Firefly that are not related to the Funds.

*Lack of Liquidity*

Portfolio assets may, at any given time, include securities and other financial instruments or obligations that are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments.

*Reliance on Management and Key Personnel*

Investors have no right or power to take part in the management of Firefly. Accordingly, no Investor should invest in the Funds unless such Investor is willing to entrust all aspects of management to Firefly. The investment performance of the Funds depends largely on the skill of key personnel of Firefly, including, in particular, the Portfolio Managers. If key personnel were to leave, Firefly might not be able to find equally desirable replacements and the performance of the Funds could, as a result, be adversely affected.

**Item 9: Disciplinary Information**

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Firefly 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 Firefly have been subject to any such action. Therefore, there have been no legal or disciplinary events that are material to our advisory business or the integrity of our management.

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

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Neither Firefly nor any of its management persons:

- are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer;
- are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities;
- have any relationships or arrangements that are material to Firefly's advisory business; and
- select other investment advisers for the Funds or Investors.

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

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***Participation or Interest in Client Transactions***

We serve as the investment adviser to the Funds. Employees, affiliates of the employees, and relatives of the employees may make investments in the Funds. We generally do not receive any compensation from such investments from employees.

We and our employees have a financial interest in the Funds through an incentive allocation or a direct investment interest in the Funds. As such, we could be considered to have recommended to Investors that they buy or sell securities or investments in which the Firm or a related person has some financial interest.

***Code of Ethics & Personal Trading***

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a code of ethics (the “**Code of Ethics**”) that is designed to foster compliance with applicable federal statutes and regulatory requirements, minimize circumstances that may lead to or give the appearance of conflicts of interest with the Funds or Investors, insider trading or unethical business conduct, as well as to promote a culture of compliance and ethics. The Code of Ethics establishes various procedures with respect to investment transactions in accounts in which our employees or related persons have a beneficial interest or accounts over which an employee has investment discretion.

In general, employees are not permitted to invest in equity securities, debt securities, options on equities, futures or other derivatives, swaps or commodities, except to liquidate investments from accounts which existed prior to such person's employment at Firefly. Employees must obtain written pre-approval from the CCO to make such liquidation trades. Employees must also obtain pre-approval from the CCO before engaging or participating in any outside business activities or private placements.

All of our employees must either direct their brokers to send or provide themselves duplicate brokerage statements to the CCO. These records are used to monitor compliance with the foregoing policies.

The foregoing policies apply to any personal transactions involving equity securities, debt securities, options on equities, futures or other derivatives, swaps or commodities, but do not apply to transactions involving government securities or open-end mutual funds, exchange traded funds (ETFs) or any other instruments which afford the employee no discretion over individual securities transactions.



**Item 12: Brokerage Practices**

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As a fiduciary to our Investors and Funds, our Investors' and Funds' interests must always be placed first. Our trading practices and procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the Investors' or Funds' favor. We have adopted the following policies and practices to meet Firefly's fiduciary responsibilities and to ensure our trading practices are fair to all and that no Investor or Fund is advantaged or disadvantaged over any other.

**Aggregation**

The aggregation or blocking of portfolio transactions may allow Firefly to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to Funds. Because Firefly trades through the Master Fund, all trades are aggregated by circumstance. However, should Firefly change its structure, its policy is to aggregate portfolio transactions where possible and when advantageous to the Funds. In these instances, Funds participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro rata basis.

**Allocation**

Our policy prohibits any allocation of trades in a manner that our proprietary accounts, affiliated accounts, or any particular Fund or Investor receives more favorable treatment than other Funds or Investors.

All trades are made via the Master Fund, which is invested in directly by the Funds and thus the Investors. Therefore, trade allocation is not an issue for Firefly.

**Best Execution**

We have a fiduciary duty to seek best execution for portfolio transactions. As a matter of policy and practice, we seek to obtain best execution for portfolio transactions, i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances.

**Principal Trading**

Our policy and practice is to not engage in any principal transactions.

**Soft Dollars**

We may use "soft dollars" generated by Clients' trading activities to purchase research services or products that would otherwise have been an expense of Firefly. We intend to keep any such arrangements within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended.

**Item 13: Review of Accounts**

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***Review of Accounts***

The Funds managed by the Firm are reviewed on a daily basis by the portfolio managers to assure conformity with investment objectives and guidelines.

***Reporting***

As soon as practicable after the end of each year, Firefly will distribute an audited financial report for each Fund with respect to the previous fiscal year. The financial statements will be delivered to all Investors within 120 days of year-end. In addition, each Fund will generally distribute net asset value updates and performance reports on a monthly basis.

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

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Firefly does not currently utilize any third party marketers or solicitors for Investor referrals.

Firefly does not provide advice to parties other than the Investors in the Funds. Firefly provides no additional services to the Investors, the Funds, nor any third parties.

**Item 15: Custody**

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We do not provide custodial services to the Funds or Investors. Fund and Investor assets are held with broker-dealers or banks that are deemed “qualified custodians.”

Investors in the Funds will receive audited financial statements for the particular Fund(s) in which they are invested within 120 days of the fiscal year end. Upon completion of the Funds’ annual audit, we will distribute the audited financials along with copies of our Privacy Notice and Form ADV Part 2, if required.

**Item I 6: Investment Discretion**

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Firefly possesses discretionary portfolio management authority over the Funds with respect to asset allocations and direct investments as per the offering documents in place.

**Item 17: Voting Client Securities**

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Firefly will ensure that proxies or corporate action matters regarding the Funds are voted in the best interest of the Funds. The Investors in the Funds may not direct voting of proxies.

Upon request, we will provide an Investor with a copy of our proxy voting policies and procedures and/or information regarding particular proxy votes cast by the Funds.

**Item 18: Financial Information**

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Firefly is not required to provide a balance sheet in response to this Item and is not subject to any financial condition that is reasonably likely to impair our ability to meet our financial obligations to our Funds or Investors.

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

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Not applicable.