



**BROCHURE**  
(Form ADV Part 2)

**Restorative, LLC**  
350 Madison Ave, 8<sup>th</sup> Floor  
New York, NY 10017  
Telephone: (212) 207-8081  
[www.restorativellc.com](http://www.restorativellc.com)

**Dated December 2012**  
**Interim Amendment**

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This brochure provides information about the qualification and business practices of Restorative, LLC. If you have any questions about the contents of this brochure, please contact us at +1 (212) 207 8081 or [info@restorativellc.com](mailto:info@restorativellc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

The information contained herein is accurate as of the date hereof and is likely to change.

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

## **Item 2. Material Changes**

### **Description of Material Change**

John Segrich has assumed the role of Chief Compliance Officer. Todd Walters and Jarrett Bostwick are no longer Officers of Restorative, LLC. With the departure of Todd Walters and Jarrett Bostwick as controlling persons, there is no longer a material affiliation between Restorative, LLC and Spearhead Capital, LLC, the FINRA registered broker-dealer that Mr. Walters and Mr. Bostwick are registered with and owners in.

## TABLE OF CONTENTS

Item 2.	Material Changes.....	2
Item 4.	Advisory Business.....	4
Item 5.	Fees and Compensation.....	5
Item 6.	Performance-Based Fees and Side-by-Side Management.....	6
Item 7.	Type of Clients.....	6
Item 8.	Investment Strategies, Methods of Analysis and Risk of Loss.....	6
Item 9.	Disciplinary Information.....	10
Item 10.	Other Financial Industry Activities and Affiliation.....	10
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Item 12.	Brokerage Practices.....	12
Item 13.	Review of Accounts.....	14
Item 14.	Client Referrals and Other Compensation.....	14
Item 15.	Custody.....	15
Item 16.	Investment Discretion.....	15
Item 17.	Voting Client Securities.....	15
	Additional Items.....	15

## **Item 4. Advisory Business**

### **Description of the Advisor's Business**

Restorative, LLC is a Delaware Limited Liability Company and commenced operations as an investment adviser in 2012. Restorative's principal place of business is New York, New York. John Segrich is the majority owner of Restorative, which he owns through 1 Sanwich, LLC, a member of Restorative, LLC. Mr. Segrich makes all investment decisions on behalf of the clients.

### **Advisory Services Offered**

Restorative provides investment supervisory services on a discretionary basis to institutional clients through separately managed accounts. The separately managed accounts primarily invest in equity securities but can invest in convertible bonds, bonds, futures and options.

Restorative, LLC offers a single investment approach that employs fundamental analysis of globally listed securities to identify opportunities where companies are either benefiting or being damaged by supply and demand imbalances, technology adoptions or dislocations and structural changes. Restorative's investment focus tends to be market capitalization agnostic and primarily focuses on sectors such as Energy, Agriculture, Infrastructure and Natural Resources.

### **Tailoring Advisory Services to the Client**

Restorative provides advice to institutional client(s) on specific investment objectives and strategies set forth in the investment management agreement between Restorative and its institutional clients. Clients with separately managed accounts may request that Restorative manage their accounts with various restrictions, including specific restrictions, risk restrictions, geographic restrictions, liquidity restrictions, leverage restrictions, as well as other limitations which may be agreed upon between the client and Restorative. Restorative will generally accept such restrictions and incorporate them in the client's investment management agreement.

### **Wrap Fee Programs**

Restorative does not participate in wrap fee programs.

### **Amount of Client Assets Managed**

Client Assets Managed as of December 1<sup>st</sup>, 2012

Discretionary	\$61,000,000*
Non-Discretionary	\$0

\*The above number is calculated by adding up the Net Assets of each separately managed account. This calculation does not directly correlate with the Gross value of each specific separately managed account or regulatory capital as defined by the Securities & Exchange Commission.

## **Item 5. Fees and Compensation**

### **General Fee Schedule**

The fees associated with any separately managed account will be negotiated on a case-by-case basis. Such fees generally include a management fee based on a percentage of the value of the assets managed, to be paid on a quarterly basis, and a performance-based fee calculated on the amount of profits generated in respect of the account, to be paid on an annual basis or upon a withdrawal from the account.

Fees that are negotiated for separately managed accounts vary and may be based on the following factors (among others):

- The size of the client's investment with Restorative;
- Any restrictions on liquidity relating to the investment; or
- The potential strategic value of the client

### **How Fees are Paid**

Clients with separately managed accounts are billed in accordance with the schedule set forth in their respective investment management agreements. These clients are typically billed on either a quarterly basis in respect of asset-based management fees and on an annual basis (or upon withdrawal of an account) in respect of performance-based incentive fees.

### **Other Fees and Expenses**

Clients of separately managed accounts are subject to various transaction costs (outlined below) as well as any expenses listed in their investment management agreements. Clients are subject to the following transaction costs:

- Brokerage commissions (including those on options and futures trades);
- Short dividends;
- Currency hedging costs;
- Interest expenses in respect of margin accounts; and
- Fees and expenses charged by prime brokers.

### **Payments of Fees in Advance**

Clients are not required to pay Restorative in advance, however, some clients have elected to pay management fees in advance. These clients are generally large institutions that are highly sophisticated and view quarterly periods as relatively short. Therefore, there is no specific provision for such a client to obtain a refund.

### **Compensation for the Sale of Securities**

Restorative does not compensate supervised persons for the sale of securities or other investment products from the sale of mutual funds.

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

Restorative manages separately managed accounts that are all subject to similar performance-based fees.

## **Item 7. Types of Clients**

Clients that have separately managed accounts managed by Restorative meet the definition of being a “qualified purchaser” under Section (2)(a)(51) of the Investment Company Act of 1940, as amended. Due to operational constraints on the business, as a general manner, Restorative currently requires a minimum of \$100 million prior to opening a separately managed account, although this requirement may be waived.

## **Item 8. Methods of Analysis, Investment Strategy and Risk of Loss**

### **Investment Strategies and Method of Analysis**

Restorative seeks to achieve absolute returns consistent with capital appreciation. To achieve its goals, Restorative implements a research-driven, fundamental approach to equity investing. Restorative believes that through its equity research and deep understanding of certain specialized sectors, Restorative can identify opportunities where companies are either benefiting or being damaged by supply and demand imbalances, technology adoptions or dislocations and structural changes. Restorative’s investment focus tends to be market capitalization agnostic and primarily focuses on sectors such as Energy, Agriculture, Infrastructure and Natural Resources.

Restorative’s holding periods can be short term in some cases and long term in others, depending on the market conditions, company specific events and news and target buy/sell prices. It is anticipated that Restorative will use leverage as well as option and future trades to express views on the market and individual stocks. The separately managed accounts may have significant short net exposure to equity markets, although at times, they may be relatively market neutral or have significant long net exposure to equity markets. The amount of leverage, position size, net long and net short exposures are defined within the Investment Management Agreement between Restorative and its clients.

Securities that may be traded by Restorative on behalf of the separately managed accounts include, but are not limited to, equities, equity options, corporate bonds, convertible bonds, futures, options on futures, swaps and other derivatives. Restorative may also use currency futures to hedge unwanted foreign currency exposures. Any restrictions on the types of securities that Restorative can trade for separately managed accounts can be defined within the Investment Management Agreement between Restorative and its clients.

### **Risk of Loss**

Any strategy implemented by Restorative may fail to achieve its objectives or may incur partial or even total losses. Clients who open an account with Restorative must be able to withstand the complete loss of their account or investment. The following is a summary of risks related to any account managed by Restorative, each of which may result in the client suffering losses.

Nature of Investments - Restorative has a broad discretion in making investment decisions on behalf of clients' separately managed accounts. Investments will generally consist of securities and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that Restorative will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of the investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the separately managed accounts activities and the value of their investments.

Market Risk – Restorative's strategy is subject to market risks, i.e. the risk that the value of a portfolio will decrease due to various market factors. Such market factors may include, among others, directional price movements of securities, deviations from historical pricing relationships among securities, changes in the regulatory environment, changes in market volatility, "flights to quality" and "credit squeezes." Accordingly, the accounts managed by Restorative may experience losses, including sudden and dramatic losses, as a result of such market events.

Market Conditions - Certain market conditions may negatively impact the performance of Restorative's strategy. For example, volatile markets and markets with low trading volumes may limit the number of investment opportunities available for Restorative's separately managed accounts.

Volatility - The prices of equities, equity-linked instruments and related options, have been subject to periods of excessive volatility in the past, and such periods can be expected to recur. Many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions can result in sudden price movements that can result in losses in the separately managed accounts managed by Restorative.

Leverage - Restorative generally employs leverage in respect of the separately managed accounts that it manages. The use of leverage will amplify the effect of any losses experienced by the portfolios managed by Restorative. Separately managed accounts managed by Restorative will also incur expenses to employ leverage. As a general matter, the banks and dealers that provide financing to the accounts managed by Restorative can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that any separately managed account managed by Restorative will be able to secure or maintain adequate financing.

Short Sales – Short selling, or the sale of securities not owned by the separately managed accounts, necessarily involves certain additional risks. Such transactions exposed the separately managed accounts to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the separately managed accounts in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the separately managed accounts might be compelled, at the most disadvantaged time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Options – The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or

during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payments received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Portfolio Turnover: Increased Transaction Costs - Restorative's strategy may involve high volumes of buying and selling. This increases the transaction costs borne by the separately managed accounts managed by Restorative in the form of brokerage commissions. Thus, these transaction costs will reduce the performance of the separately managed accounts managed by Restorative.

Equities and Equity-Related Instruments in General – Restorative may use equity and equity-related instruments. Equity investments may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses incurred by the separately managed accounts managed by Restorative. There are no absolute restrictions in regards to the size or operating experience of the companies in which Restorative may invest. Equity prices are directly affected by issue specific events, as well as general market conditions. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

Lack of Diversification: Concentration Risk – Separately managed accounts managed by Restorative may not be widely diversified among sectors, industries, geographic areas or types of securities. Furthermore, the separately managed accounts may not necessarily be diversified among a wide range of issues and in fact may be highly concentrated in its highest conviction investments. Accordingly, the separately managed accounts may be subject to more rapid changed in value than would be the case if they were required to maintain a wide diversification.

International Securities - Investing outside the United States may involve greater risks than investing in the United States. These risks include, among others: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, non-U.S. companies are generally not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to United States companies. Non- U.S. financial markets, while generally growing in volume, have, for the most part, substantially less volume than U.S. markets, and securities of many non-U.S. companies are less liquid and their prices more volatile than securities of comparable U.S. companies. The economies of individual non-U.S. countries may also differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resources self-sufficiency and balance of payments position.

Small and Medium Capitalization Securities - The pursuit of Restorative's investment strategy typically results in a portion of the separately managed accounts' assets being invested in securities of small and mid cap issuers. While in Restorative's opinion the securities of a small and mid cap issuer may offer the potential for greater capital appreciation than investments in securities of large cap issuers, securities of small and mid cap issuers may also present greater risks. For example, some small and mid cap issuers often have limited product lines, markets or



financial resources. They may be subject to high volatility in revenues, expenses and earnings. They may be dependent for management on one or a few key persons, and can be more susceptible to losses and risks of bankruptcy. Their securities may be thinly traded (and therefore have to be sold at a discount from current market prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger cap issuers. In addition, small and mid cap issuers may not be well known to the investment public and may have only limited institutional ownership. The market prices of securities of small and mid cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large cap issuers. Transaction costs in securities of small and mid cap issuers may be higher than in those of large cap issuers.

Counter-Party and Settlement Risk - Total return swaps on equities are subject to counter-party and settlement risks related to the financial ability and willingness of an account's counter-party to pay out amounts owed to the account under the swap. If a counterparty defaults on its obligations under the swap, it may result in the account incurring losses.

Special Situations - Separately managed accounts managed by Restorative may invest in companies involved in (or target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changed or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price. Similarly, if an anticipated transaction does not in fact occur, the separately managed accounts may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the separately managed accounts may invest, there is a potential risk of loss by the separately managed accounts of its entire investment in such companies.

Currency Risks - Investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Restorative may attempt to hedge such risks on behalf of the separately managed accounts.

Futures Contracts - Trading in futures contracts are highly specialized activities that may entail greater than ordinary investment risks. Futures markets (including financial futures) are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin of deposit normally required in futures trading, a high degree of leverage is typical of a futures trading account. Consequently, a relatively small price movement in a futures contract may result in substantial losses to the trader. Futures trading may also be illiquid. Certain commodity exchanges do not permit trading in a particular type of future beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, which conditions have in the past sometimes lasted for several days in certain contracts, the separately managed accounts could be prevented from promptly liquidating unfavorable positions and thus be subject to substantial losses.

Lack of Liquidity of Investments – Assets of the separately managed accounts 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.

#### **Item 9. Disciplinary Information**

This Item is not applicable.

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

Restorative LLC, has no material relationships or arrangements with other Financial Industry Activities and Affiliations.

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

##### **Description of Code of Ethics**

Restorative's Code of Ethics sets forth standards of ethical and business conduct expected of Restorative's personnel and requires compliance with the Federal securities laws. Restorative's Code of Ethics also generally prohibits employees from transacting in publicly-traded single name securities subject to certain exceptions, such as mutual funds, securities offered by government entities, etc. In addition, employees may maintain accounts that do transact in publicly traded single name securities if they are managed by third parties who exercise the trading discretion over such accounts. Employees may also sell positions held prior to employment at the Adviser, subject to pre-trade approval. Transactions in private placements and initial public offerings require pre-trade approval. Employees must generally submit their brokerage statements and/or securities transactions on a regular basis and must disclose their other business interests and activities. A copy of the Restorative's Code of Ethics will be provided to any client or prospective client upon request.

##### **Recommendations of Securities in which the Adviser has a Material Conflict of Interest**

Restorative does not recommend to clients nor does the Adviser buy or sell for client accounts, securities in which Restorative or a related person has a material financial interest. Further, Restorative and its affiliates do not buy or sell securities from or to clients in their investment advisory capacity ("principal transactions").

##### **Proprietary or Personal Investments in the Same Securities that are Recommended to Clients**

Restorative's Code of Ethics generally prohibits its personnel from transacting in the securities which are traded by the accounts it manages, subject to the following exceptions;

- The first exception is that employees may hold positions in or options on a security (i) held prior to the commencement of employment, (ii) received as a gift, (iii) received as an inheritance or (iv) received as a distribution or payment-in-kind. Employees may sell

interests in pre-existing positions or exercise options in respect of pre-existing positions only with the pre-trade approval of Restorative's Chief Compliance Officer.

- The second exception is that Restorative's employees are permitted to have third-party managed accounts, where someone other than the employee exercises investment discretion over such accounts. These third-party managed accounts may transact in securities that are traded by accounts managed by Restorative. Restorative permits this activity because the third-party does not have transparency to the portfolios of the separately managed accounts managed by Restorative and thus, cannot exploit such accounts' transactions. Trading activity in respect of third-party managed accounts is periodically reviewed by the Chief Compliance Officer.
- The third exception is that employees may have personal accounts which are subject to automatic investment plans, where regular periodic purchases (or withdrawals) are made automatically in (or from) investment accounts in accordance with a predetermined schedule and allocation, including a dividend reinvestment plan. Restorative permits this activity as it is pre-planned and independent of Restorative's portfolio management decisions.

#### **Transactions in Securities for Client Accounts at the Same Time Transactions are made for Proprietary or Personal Accounts**

The Adviser does not manage any proprietary accounts.

See the previous section "Proprietary or Personal Investments in the Same Securities which are Recommended to Clients" for a discussion of the possible instances where personal accounts may transact in the same securities as accounts managed by Restorative, as well as how Restorative seeks to manage potential conflicts of interest resulting from such instances.

## **Item 12. Brokerage Practices**

### **Factors in Selecting or Recommending Broker-Dealers for Client Transactions and Determining Reasonableness of Their Compensation**

The following is a list of factors considered by Restorative in selecting broker-dealers to provide services to separately managed accounts:

- Pricing and pricing structure;
- Reputation;
- Ability to offer algorithmic order options and the quality of those algorithmic engines;
- Operational efficiency and stability;
- Provision of research services;
- Capital introductory services;
- Financial stability; and
- Restorative's personnel's past experience in utilizing the brokers' services.

In determining the reasonableness of the broker-dealers' compensation, Restorative conducts a periodic best execution review of its broker-dealers, which includes a comparison of the prices it currently pays for transactions to other prices in the market. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, Restorative does not need to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Several factors besides price are considered when evaluating the broker-dealers used by Restorative to execute trades for the separately managed accounts. These factors include research or other products and services provided to Restorative, also known as "soft dollars".

### **Research and Soft-Dollar Benefits**

Restorative will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

Restorative uses the research and brokerage services it receives from brokers as part of its general investment process, which benefits all separately managed accounts. Given the general nature of the research and brokerage services Restorative receives (i.e. research reports are not received in exchange for specific amounts of trades) and the general nature of how Restorative employs such research (i.e. in

respect of all separately managed accounts), there are no specific metrics regarding whether the benefits derived from such research and brokerage services are proportionately allocated among the various accounts. However, Restorative believes the generation and use of such research and brokerage services is done in an equitable manner in respect of all separately managed accounts.

The use of separately managed account commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, Restorative will not have to pay for the products and services itself. This creates an incentive for Restorative to select or recommend a broker-dealer based on its interest in receiving those products and services.

Restorative may cause the separately managed accounts to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for the separately managed accounts.

Restorative has entered into “client commission arrangements” with broker dealers pursuant to which Restorative may execute transactions through broker dealers (soft dollar brokers) and request that the broker dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to Restorative. Restorative excludes from use under these arrangements those products and services that are not eligible under Section 28(e) and applicable regulatory interpretations.

In some instances, Restorative may obtain a product or service that is used, in part, by Restorative for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, Restorative will make a good faith effort to determine the relative proportion of the product or service used to assist Restorative in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be made based on the actual use of the product or service by Restorative’s personnel. The proportion of the product or service attributable to assisting Restorative in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by the separately managed accounts’ transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by Restorative from its own resources. The determination of the appropriate allocation of “mixed use” products and services creates a potential conflict of interest between Restorative and the separately managed accounts.

### **Brokerage for Client Referrals**

In selecting or recommending broker-dealers, Restorative may consider whether Restorative or a related person receives investor referrals from a broker-dealer or third party. Restorative may have an incentive to select or recommend a broker-dealer based on its interests to receive investor referrals rather than on the separately managed accounts’ interests to receive most favorable execution. To address this conflict of interest, Restorative will execute separately managed accounts’ trades through broker-dealers that refer investors to Restorative only if it is determined by the Chief Compliance Officer and a managing member of Restorative that separately managed accounts’ trades with such broker-dealers are otherwise consistent with seeking best execution.

From time to time Restorative may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to the separately managed accounts to investors. Restorative may place separately managed account transactions with firms who have made such recommendations or provided capital introduction opportunities, if Restorative determines that it is otherwise consistent with seeking best execution. In no event will Restorative select a broker-dealer as a means of remuneration for recommending Restorative or any other product managed by Restorative (or

an affiliate) or affording Restorative with the opportunity to participate in capital introduction programs.

### **Directed Brokerage**

Clients do not recommend, request or require Restorative to execute transactions through specific broker-dealers.

### **Aggregation of Purchase and Sales of Securities for Various Client Accounts**

Restorative will aggregate trades in circumstances when (i) two or more accounts share an executing broker and (ii) Restorative believes such aggregation would likely advantage the accounts. Even in circumstances where Restorative does not aggregate orders when it has the chance to do so, it does not believe this will lead to materially higher explicit transaction costs.

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

### **Periodic Reviews of Accounts**

Restorative reviews the portfolio of each of its clients' accounts with respect to positions held, risk exposure and proper settlement on a daily basis. This review is conducted by the portfolio manager of Restorative and/or other personnel of Restorative.

Restorative's Chief Investment Officer and Chief Compliance Officer review the trading activity and performance of various client accounts on a monthly basis not only to report to clients and maintain trading compliance but also to consider any wide differences in performance between accounts.

### **Regular Reporting**

Clients with separately managed accounts receive reports and other information in accordance with their managed account agreements. Such clients also have access to their Prime Brokerage accounts on a daily basis.

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

Restorative receives certain research or other products or services from broker-dealers through "soft-dollar" arrangements. These "soft-dollar" arrangements create an incentive for the Advisor to select or recommend broker-dealers based on Restorative's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by Restorative on behalf of the separately managed accounts. Please see Item 12 for further information on Restorative's "soft-dollar" practices, including Restorative's procedures for addressing conflicts of interest that arise from such practices.

Restorative is not aware of any person who is not a client providing an economic benefit to Restorative for providing investment advice or other advisory services to its clients.

Neither Restorative nor any related person directly or indirectly compensates a person who is not

Restorative's supervised person for client referrals.

### **Item 15. Custody**

This Item is not applicable. Restorative does not have custody of client assets and cannot approve cash payments or movements of any sort from the separately managed accounts.

### **Item 16. Investment Discretion**

Restorative accepts discretionary authority to manage separately managed accounts on behalf of clients. Clients may request that this discretion be limited in terms of any of the following restrictions:

- Geographical restrictions;
- Risk restrictions;
- Leverage restrictions; or
- Specific security restrictions.

Prior to assuming this authority, Restorative executes an investment management agreement with the client which will grant Restorative discretionary authority over the client's account and, among other things, set forth any restrictions on such discretion.

### **Item 17. Voting Client Securities**

Although it is viewed by Restorative that its strategy is not dependent upon the outcome of proxy contests, Restorative votes proxies in what it perceives to be in the best interest of the separately managed accounts securities.

If a material conflict of interest between Restorative and its clients exists, Restorative will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the separately managed accounts or take some other appropriate action.

Clients and investors may obtain a copy of Restorative's proxy voting policies upon request.

### **Additional Items**

#### **Additional Conflicts of Interest**

Other Business Interests - Restorative, its principals or employees may organize or become involved in other business ventures in the future, and may have incentives to favor certain of these ventures over other clients. Clients may not all necessarily share in the risks or rewards of such other ventures. However, such other ventures will compete for Restorative's and its principals' time and

attention, which might create other conflicts of interest. Restorative's agreements with its clients generally do not require Restorative to devote any particular amount of time to particular clients.

Other Accounts: Different Portfolios - Restorative or its affiliates may act as the investment adviser to investment entities and other separately managed accounts with investment strategies and policies similar in many respects to, or very different from, each other. There are no restrictions on the ability of Restorative and its affiliates to manage accounts of other clients following the same or different investment objectives, philosophies and strategies. The results of any particular client's account may differ significantly from the results achieved by Restorative for any other accounts or clients for which it provides investment advisory services.

Other Accounts: Allocation of Investment Opportunities. In providing services for other accounts or clients, Restorative, its affiliates and their personnel will seek to allocate orders and investment opportunities among client accounts (subject to each account's investment restrictions) according to its internal allocation policy. As a general matter, Restorative's internal allocation policy employs pre-set ratios to automatically allocate security orders and fills among accounts. Although such allocations may be *pro rata* as to participating entities and clients, they will not necessarily be so, especially where Restorative's allocation policies that take into account differing investment objectives, restrictions or other considerations (including order flow) dictate a different result. Furthermore, given that Restorative orders most of its securities in round lots, smaller orders may automatically be allocated in a manner different than the targeted allocation ratio due to rounding adjustments. Restorative compares the performance of multiple accounts to confirm that such deviations from the targeted allocation ratio do not systematically disadvantage a particular client. Restorative will share its internal allocation policy with any potential or current investor or client upon request.

There can be no assurance that a particular order or investment opportunity will be allocated in a particular manner. If conflicts arise in the allocation of investment opportunities, Restorative will seek to resolve such conflicts fairly in accordance with its internal allocation policies. Although the goal of Restorative's allocation policy is to provide for the equitable treatment of all of its clients, the foregoing policy does not require that each opportunity be made available to all accounts, leaving significant discretion to Restorative.

Different Terms/Side Letters - From time to time, Restorative may provide its services to certain clients on different economic terms than other clients. Restorative manages, and may in the future manage additional, investment vehicles or accounts that have more favorable terms and/or greater transparency than the current terms it offers. These the waiver or reduction of management fees, incentive fees and/or profit allocations, the provision of additional information or reports, more favorable transfer rights and more favorable liquidity rights, including additional permitted dates for redemptions and the waiver or reduction of notice periods or proceed payment periods.