

## **Part 2A of Form ADV: Firm Brochure**

### **ITEM 1: COVER PAGE**

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**This brochure provides information about the qualifications and business practices of Legion Partners Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (530) 313-3048 and/or [info@legionpartners.com](mailto:info@legionpartners.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.**

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

## **ITEM 2: MATERIAL CHANGES**

On July 28, 2010, the United States Securities and Exchange Commission ("SEC") published "Amendments to Form ADV" which amends the disclosure document that all investment advisers provide to Clients as required by SEC Rules. This Brochure dated December 2013 is a document prepared according to the SEC's requirements and rules.

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## **ITEM 4: ADVISORY BUSINESS**

### **A. Description and Principal Owners**

Legion Partners Asset Management, LLC, a Delaware limited liability company ("Legion Partners"), is a registered investment adviser.

Legion Partners was formed on April 11, 2012 in Delaware.

Legion Partners is 100% owned by Legion Partners Holdings, LLC, which is 100% owned by Raymond T. White (33 1/3 %), Christopher Kiper (33 1/3%) and Bradley Vizi (33 1/3%).

### **B. Advisory Services Offered**

Legion Partners provides investment management services. Clients may elect (i) to open a separately managed account with Legion Partners (generally for side-by-side investments, co-investments and/or pension consulting services) and receive these services directly or (ii) to invest in a limited partnership or limited liability company, of which Legion Partners or a subsidiary or affiliated entity serves as general partner or managing member, respectively (generally described as "fund" services). Thereafter, Clients who receive fund services may also elect to contribute additional assets to be invested in specified portfolio companies ("Co-Investments"). Such assets may be invested through the Client's own trading account or a separate Legion Partners' account.

Legion Partners specializes in fundamental research, long-term oriented investing and building a productive relationship with portfolio companies. This involves long-term holdings and actively engaging the management and boards of public companies in order to help achieve superior long-term performance. Legion Partners' investment strategy is described in greater detail in Item 8.

Legion Partners also provides pension consulting services. It seeks to develop long-term relationships with major institutional investors and pension plans, among others, which may include a variety of services ranging from discretionary asset management to non-discretionary investment advisory and consulting services. Legion Partners' consulting services are intended to provide flexible resources for institutional investors and pension plans that may supplement their internal capabilities related to key corporate governance issues, research and due diligence activities, and active investments based on long-term company engagements.

Legion Partners specializes in conducting deep fundamental analysis and professional long-term engagements, which results in the ability to focus resources on selected issues with the potential to have the most significant impact on the

rights and economics of long-term oriented institutions. This element of Legion Partners' overall strategy is intended to focus on complex aspects of governance and/or specific situations that provide the opportunity to enhance institutional investors' ability to execute their investment, to improve their governance programs and to meet their long-term obligations to their constituents. Legion Partners may also collaborate with institutional investors and others on key policy issues. These may include, for example, research related to the effectiveness of mergers and acquisitions activity and how institutions should evaluate their positions in this process (transparency, valuation methodology and metrics, alignment of interests and long-term measures of success), accounting policies or practices, capital efficiency, alignment between share owners and companies, company performance, regulatory concerns and/or issues related to individual companies. This work may be used to support a particular investment thesis and/or to propose specific reforms.

#### **C. Limited Tailoring of Advisory Services**

Legion Partners manages all Client investments in accordance with the same investment strategy. Legion Partners typically invests all assets within the same portfolio on a side-by-side and pro rata basis.

Legion Partners does not typically tailor its services for the needs of individual Clients. However, consistent with their own internal policies, Clients may restrict or limit investments in certain securities or types of securities.

#### **D. Non-participation in Wrap Fee Programs**

Legion Partners does not participate in wrap fee programs.

#### **E. Assets Under Management**

As of December 15, 2013, Legion Partners managed one separately managed account on a discretionary basis in the amount of approximately \$11.2 million. As of December 15, 2013, Legion Partners did not manage any fund investments.

## **ITEM 5: FEES AND COMPENSATION**

### **A. Advisory Fees**

#### **1. Types of Advisory Fees**

The terms of each Client's fund agreement with Legion Partners ("Client Agreement") will govern the advisory fees they pay Legion Partners. Legion Partners typically charges Clients a combination of Management Fees and Incentive Amounts, although with respect to certain side-by-side or Co-investments, Legion Partners may charge only an Incentive Amount depending on the terms of the Client Agreement.

From time to time, Legion Partners or one of its affiliates may enter into arrangements with certain investors in a fund pursuant to which such investors are granted certain rights or benefits not granted to other investors in connection with such investment. Such agreements may be entered into without the consent of or notice to the other investors in such fund. Legion Partners reviews any proposed arrangement for potential conflicts of interest and seeks to manage or minimize such potential conflicts so that all investors are treated fairly and in conformance with the duty owed by Legion Partners to each investor. Such arrangements may include provisions relating to investment prohibitions, voluntary or mandatory withdrawals, most-favored nations and other investor-specific terms.

##### **a. Management Fees**

Legion Partners typically charges an annual "Management Fee" of up to two percent (2%) of the value of a Client's Market Adjusted Capital Commitment as at the date of determination.

##### **b. Incentive Amounts**

Legion Partners typically charges one of two types of "Incentive Amounts" depending on the terms of the Client Agreement:

##### ***i. Incentive Amounts Charged on Outperformance of a Benchmark and Hurdle Rate***

Under this arrangement, Clients agree to a benchmark and hurdle rate with Legion Partners. This will typically be a variation of a broad-based index or a narrower sector-based index for the benchmark and an agreed-upon hurdle in addition to the benchmark. If over an agreed upon accounting period (typically a calendar year) the Client's portfolio outperforms the benchmark and hurdle, Legion Partners will charge the Client an Incentive Amount of up to an agreed upon percentage of the portfolio's outperformance. If the Client portfolio underperforms the relevant benchmark no incentive fee shall be paid for that period and the negative difference

shall be carried forward into future accounting periods as an offset to future outperformance.

Typically, if Legion Partners earns an Incentive Amount, an agreed upon percent is payable at the time when it is earned and the remainder is withheld contingent upon future performance remaining above the benchmark and hurdle; provided that, on each anniversary, the Client portfolio has outperformed the relevant benchmark and hurdle measured since inception. Contingent amounts are payable on future anniversary dates (e.g., fifty percent (50%) at a time) but may be forfeited in circumstances where the fund underperforms the benchmark and hurdle.

*ii. Incentive Amounts Charged on Net Profits*

Under this arrangement, Legion Partners charges an Incentive Amount which is calculated as a percentage of the Client portfolio's net profits over an agreed upon accounting period (typically a calendar year). Depending on the terms of the Client Agreement, such percentage may be an agreed upon percentage of net profits over an agreed upon benchmark. Further, the Incentive Amount may be charged on either realized and/or unrealized net profits and may be net of expenses. If the Client portfolio has incurred net losses, no Incentive Amount shall be paid for that accounting period and the negative balance shall be carried forward into future accounting periods as an offset to future net profits.

## **2. Negotiability**

Advisory fees may be negotiable in certain circumstances, including, but not limited to, Client portfolios that contain a substantial amount of assets.

### **B. Calculating and Billing Advisory Fees**

Management Fees are typically calculated and become payable in advance at the beginning of each calendar quarter. All calculations are subject to pro rata adjustments to reflect contributions to or withdrawals from a Client's Account or increases or reductions in a Client's Market Adjusted Capital Commitment. Legion Partners may rebate excess management fee above the actual cost of operating the fund following the end of each fiscal year.

All Incentive Amounts are calculated at the end of the accounting period net of Management Fees and expenses. All calculations are subject to pro rata adjustments to reflect net additions to or withdrawals from the Client portfolio.

Legion Partners bills Clients for all Management Fees and Incentive Amounts incurred. Clients can elect to pay Management Fees and managed account Incentive Amounts directly or authorize their deduction from Client assets. Incentive Amounts owed by the limited partnerships are allocated from the Client's capital account to the general partner's capital account within the partnership.

### **C. Other Fees and Expenses**

Client Agreements typically require Clients to reimburse Legion Partners for certain expenses Legion Partners incurs in connection with performing its investment management services. These expenses are set out in the applicable Client Agreements and include, for example: portfolio expenses, such as research, travel and legal costs; and Client specific expenses such as custodian fees, brokerage costs and audit and tax preparation. Portfolio expenses are allocated between all Clients benefiting from such expenses on a pro-rata basis. Legion Partners' brokerage practices are described in Item 12 below.

### **D. Advance Payment of Management Fees**

Management Fees are payable in advance whereas Incentive Amounts are payable in arrears.

Legion Partners will typically require Clients to provide at least 120 days advance notice (unless otherwise agreed in the Client Agreement) in order to terminate an agreement, withdraw from a limited partnership, reduce a Capital Commitment or withdraw assets from an Account, subject to negotiated lock-up and/or gate provisions (e.g., the Client Agreement may specify a longer initial period, for example, up to five (5) years, before the Client may request withdrawal of its Capital Commitment). If withdrawal or termination occurs other than at quarter end, Legion Partners will adjust its Management Fees accordingly on a pro-rata basis.

### **E. Non-receipt of Brokerage Compensation**

Legion Partners and its employees do not receive any compensation for selling investments to Clients.

## **ITEM 6: PERFORMANCE-BASED FEES AND CO-INVESTMENT MANAGEMENT**

Legion Partners charges all Clients an Incentive Amount. This is discussed in greater detail in Item 5 above.

## **ITEM 7: TYPES OF CLIENTS**

Legion Partners intends to provide investment management services to the following types of Clients:

Public funds

Corporate pension funds

High net worth individuals

Family foundations

Taxable corporate funds

Such Clients may elect (i) to open a separately managed account with Legion Partners (for side-by-side investments, Co-investments and/or pension consulting services) and receive these services directly, or (ii) for fund services, to invest in a limited partnership or limited liability company, of which Legion Partners or a subsidiary serves as general partner or managing member, respectively. Generally, Clients must invest at least \$3.0 million with Legion Partners for its fund services. However, Legion Partners reserves the right, in its sole discretion, to waive such minimum requirement. Minimum investment requirements may vary by Client Agreement.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Investment Strategy and Method of Analysis**

#### **1. Method of Analysis**

Legion Partners uses deep fundamental analysis to identify companies it believes may be significantly undervalued relative to intrinsic value and future opportunity.

Legion Partners uses proprietary research and analysis to determine its investment decisions and the engagement process for each portfolio company.

#### **2. Investment Strategy**

Legion Partners specializes in fundamental research, long-term oriented investing and building a productive relationship with portfolio companies. This involves long-term holdings and actively engaging the management and boards of public companies in order to help achieve superior long-term performance.

Legion Partners engages a company by focusing the attention of its shareholders, management, and board of directors on factors that Legion Partners believes are contributing to the company's underperformance. Legion Partners periodically meets with members of the board of directors and/or management as well as representatives of portfolio companies. The intended result of this engagement is to increase the company's stock price to align with Legion Partners' view of its true long-term value.

In executing its investment strategy, among other techniques, Legion Partners may submit shareholder proposals under Rule 14a-8 of the Securities Exchange Act of 1934 as amended (the “Exchange Act”) or pursuant to procedures set forth by the companies, and may seek board representation through negotiation or use of the Exchange Act’s proxy rules. Additionally, Legion Partners may participate in proxy contests, tender offers and restructurings of companies in or out of formal bankruptcy proceedings.

Legion Partners implements its investment strategy with a primary focus on small and mid-cap companies but with no limit on capitalization. The portfolio typically consists of six to fifteen investments in equity securities of North American companies at any given time. Legion Partners has no fixed guidelines for diversification of investments among companies or industries. However, Legion Partners does not invest more than twenty-five percent (25%) of a Client’s assets at the time of investment in the securities of a single company or group of affiliated companies except in situations where the Client may also have a Co-Investment in such securities in which event such amount shall not apply or as otherwise agreed in the Client Agreement.

Legion Partners typically purchases securities for a holding period to exceed one year (with a target holding period of two to three years). Nevertheless, Legion Partners may sell securities after holding such securities for less than a year or the target period if, for example: the risk associated with a particular company is altered to a degree that outweighs the expected return; its stock price aligns with Legion Partners’ view of its value; if Legion Partners needs to liquidate certain holdings in order to fund new acquisitions; or for other reasons.

### **3. Risk Associated with Investing in Securities**

Investing in securities involves a risk of loss that Clients should be prepared to bear. Legion Partners makes no guarantee or representation that its investment strategy will be successful. Past performance of Legion Partners and/or its Clients’ portfolios is not a guarantee of future results.

#### **B. Material Risks Associated with Investment Strategy**

##### **1. Market Risks**

All investments are subject to market risks including but not limited to: investment-specific price fluctuations, economic, political, interest rate and other risks, which could result in adverse market price changes; and the difficulty of accurately predicting price movements in particular securities or the market as a whole. Due to the nature of its investment strategy, Legion Partners may have only limited ability to vary a Client’s investment portfolio in response to changing economic, financial and investment conditions.

## **2. Engagement Process**

There is no guarantee that Legion Partners' engagement of a portfolio company will be successful or that even if it is successful, this will result in an increase in the share price of that company. Further, such engagement may cause a company's management to take defensive or other measures that erode, rather than increase, shareholder value.

## **3. Concentration**

Client investments may be heavily concentrated, at any time, in only a limited number of companies or industries. Poor performance by a single investment could substantially and adversely affect the overall performance of a Client's portfolio.

## **4. Long-Term Nature of Investments**

Legion Partners' investment strategy may require Clients to hold certain investments for a significant period of time in order to realize a return of or on invested capital. Because of the nature of Legion Partners' investments and investment strategy, there can be no assurance that Legion Partners will be able to realize returns on such investments in a timely manner or at all. Further, even if Legion Partners' engagement of a company is ultimately successful, there may be periods of time during the holding period when economic, financial or investment conditions are unfavorable or when the company's performance has not yet improved. If a Client causes Legion Partners to liquidate such investments prematurely by withdrawing assets from their Account or reducing their Capital Commitment, it could cause those Clients and other non-withdrawing Clients to realize losses or lesser profits on the sale of such securities.

## **5. Potential Illiquidity**

Legion Partners' engagement of a company may require Legion Partners to agree to certain lock-up or blackout periods on the sale of that company's securities. Alternatively, Legion Partners might make private investments in public companies. These factors could prevent Legion Partners from being able to sell securities at desired times or prices or at all (in the case of such private investments) and could cause such Client to realize losses or lesser profits on any sale of such securities.

## **C. Material Risks Associated with Equity Securities**

Each investment in an equity security of a portfolio company is subject to the risks associated with the businesses in which the portfolio company is engaged, including market conditions, changes in regulatory requirements, general economic downturns, (in some cases) changes in commodity prices and other factors. Such conditions may result in a loss of value beyond the control of Legion Partners notwithstanding its engagement of the portfolio company.

## **ITEM 9: DISCIPLINARY INFORMATION**

There are no legal or disciplinary events to report.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFILIATIONS**

### **A. No Broker-Dealer Affiliations**

Neither Legion Partners nor any management person is registered or in the process of registering as a broker-dealer or a broker-dealer representative.

### **B. No Futures and Commodities Affiliations**

Neither Legion Partners nor any management person is registered or in the process of registering as a future commission merchant, commodity pool operator, commodity trading advisor or an associated person thereof.

### **C. Arrangements with “Related Persons”**

Clients may elect to invest in a limited partnership, of which Legion Partners or a subsidiary or affiliated entity serves as general partner. For the purpose of this Brochure, the SEC defines these limited partnerships as Legion Partners’ “Related Persons”.

### **D. No Recommendation or Selection of Other Investment Advisers**

Legion Partners does not recommend or select other investment advisers for Clients.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics**

Legion Partners places great significance on its Code of Ethics (the “Code”) and adherence to the policies and procedures contained within the Code. The Code requires all personnel to:

- Act with competence, diligence, respect, and in a professional and ethical manner;

- Place the integrity of the investment profession and the interests of Clients above their own personal interests;
- Use reasonable care and exercise independent professional judgment;
- Promote the integrity of, and uphold the rules governing, capital markets; and
- Maintain and improve professional competence.

The Code also incorporates Legion Partners' Personal Trading Policy, which is summarized as follows:

- Personnel are not allowed to purchase any "restricted" securities, defined as securities owned by the fund, being acquired by the fund or under active consideration by the fund;
- Employees (or their spouses or dependents) who wish to purchase or sell any publicly traded equity and debt securities (including options and warrants) must seek pre-clearance with (i) a Portfolio Manager or the CEO and (ii) the Chief Compliance Officer. Prior approval is based upon confirmation by such employee that none of the securities or research regarding such securities are being shown to any potential investors, and if/when Legion Partners shows such potential investment, Legion Partners and any such employees will disclose any holdings (including any options) that each of them may have. Full disclosure of such approved trades shall be made to the Chief Compliance Officer in the manner required for quarterly or annual reporting of securities holdings within five (5) business days of execution of each such transaction;
- Personnel may purchase mutual funds, other closed end funds, Unit Investment Trusts, municipal securities, government securities and money market securities. Publicly traded securities may be purchased on behalf of an employee where such employee and his/her immediate family members do not have investment discretion over such securities;
- Legion Partners requires duplicate copies of statements and confirmations of all brokerage accounts to be sent to the Chief Compliance Officer;
- Personnel are required to review and acknowledge on a quarterly basis all brokerage accounts in their name and/or accounts in which they have an interest; and
- Personnel are required on an annual basis to review and acknowledge Legion Partners' Code of Ethics and Personal Trading Policies.

Violations of the above policies are taken very seriously and, in some circumstances, may lead to termination of employment.

A complete copy of the Code of Ethics and Personal Trading Policy is available to Clients and/or prospective Clients upon written request.

## **B. Securities in which Legion Partners has a Material Financial Interest**

Legion Partners will not recommend or invest Client assets in securities in which Legion Partners has a material financial interest.

However, if a Legion Partners' principal or employee is appointed director of a portfolio company as part of Legion Partners' engagement of that company, that person may have a financial interest in that company's securities when Legion Partners makes subsequent purchases or sales of those securities. This is because that person may receive compensation for serving as a director in the form of fees, stock or stock options. This financial interest could give rise to a number of conflicts of interest, which Legion Partners addresses as follows:

- Legion Partners only seeks board representation if it determines in its sole discretion that it is necessary to increase shareholder value;
- Client Agreements may specify that Legion Partners' Management Fee is to be reduced by the Client's pro-rata share of the value of the compensation received by such persons;
- All subsequent Client investment decisions relating to such securities are made in accordance with Legion Partners' investment strategy; and
- Any stock received as compensation for serving as director will be subject to the restrictions on personal trading described above and below.

## **C. Legion Partners as a Shareholder of Record and Restrictions against Personal Trading**

In order to implement its investment strategy Legion Partners may need to be registered as a shareholder of record in certain portfolio companies. To achieve this Legion Partners may need to hold a nominal amount of such companies' shares in a proprietary account. Legion Partners believes that due to the nominal amount of shares involved, this does not present a conflict of interest. Typically, trades made in this account are made subsequent to and apart from the corresponding Client transactions.

As discussed above, personnel are not permitted to purchase individual equity securities in which the fund has ownership interest or is acquiring such securities or such securities are under consideration as a fund investment and must follow Legion Partners' Pre-clearance Procedures in order to sell such securities within their portfolio. Such pre-clearance will not be granted if the proposed sale will take place around the same time as a Client transaction in the same security and Legion Partners determines that the sale will negatively affect the price of the Client transaction or be executed at a more favorable price as a consequence of the Client transaction.

#### **D. Timing of Shareholder of Record Transactions**

As stated above, if Legion Partners buys or sells shareholder of record shares, these transactions take place subsequent to and apart from the corresponding Client transactions.

### **ITEM 12: BROKERAGE PRACTICES**

#### **A. Selection of Broker-Dealers for Execution of Client Transactions**

Legion Partners will periodically evaluate potential brokers and its approved list of brokers, together with the reasonableness of their commission rates against the following factors: reliability; financial responsibility; confidentiality protections; price, size, speed and anonymity of execution (“execution capability”); and the quality of brokerage and research services that might be provided.

When selecting brokers to execute particular Client transactions, Legion Partners will use its evaluation of execution capability to select those brokers it believes will provide best execution, given the nature and circumstances of the transactions in question. If Legion Partners determines that more than one broker may be suitable for a particular transaction, it may (but is not required to) use its rankings to allocate that transaction among those brokers as it determines appropriate.

#### **1. Brokerage and Research Services**

If Legion Partners receives brokerage and research services from brokers who execute Client transactions, Legion Partners will be using Client commissions to obtain a benefit because Legion Partners does not have to pay for or produce these services itself. Any research received by Legion Partners from brokers will be relevant to the implementation of Legion Partners’ investment strategy and will be used for the benefit of the portfolios managed by Legion Partners.

In order to receive the benefit of brokerage and research services, Legion Partners may have an incentive to select one broker over another. However, as described above, Legion Partners will select those brokers it believes will provide best execution. Generally, if Legion Partners places trades with a broker who provides brokerage and research services, that broker will charge a commission that is greater than that of another broker who may be capable of executing the same transaction. Legion Partners will only pay a broker’s commissions if it determines that they are reasonable in relation to the value of the services provided and within the safe harbor provided by section 28(e) of the Exchange Act as well as in compliance with Legion Partners’ policy for soft dollar usage, which follows the CFA Institute Soft Dollar Standards.

If Legion Partners obtains brokerage and research services it will use them to service all Clients. Legion Partners will not seek to allocate its use of such services to Clients in proportion to the commissions or any soft dollars they pay.

## **2. Client Referrals not a Factor in Broker Selection**

Legion Partners does not select brokers to execute Client transactions in order to obtain Client referrals from such brokers.

## **3. Client Directed Brokerage**

Legion Partners does not currently participate in Client directed brokerage.

## **B. Trade Allocation and Aggregation**

### **1. Trade Allocation**

Legion Partners typically invests all Client assets within the same portfolio on a side-by-side and pro rata basis according to each Client's relative amounts of capital available for investment as of the date such investment is made. Legion Partners may deviate from a pro rata allocation if it determines that this would result in a disproportionate or otherwise inappropriate weighting of the investment for one or more Clients. Further, Legion Partners may omit individual securities from certain Client's holdings in order to comply with Client specific restrictions. Finally, Legion Partners may on occasion only trade for a small number of Clients or one Client at a time if, for example, it is investing newly committed assets or liquidating certain positions to fund withdrawals.

### **2. Trade Aggregation**

When investing Client assets, Legion Partners will typically aggregate all Client trades into one or more trade orders. Due to the size of such trade orders, it will often be the case that not all trades within an order will fill at the same price. Further, in order to attempt to minimize the effect on the market of placing large orders, it may be necessary to divide transactions across separate trade orders, which take place across several days. Finally, due to market conditions, it may not be possible to complete all trade orders, which may result in partial fills. This may in turn necessitate the placing of further trade orders.

To attempt to avoid any potential conflicts of interest that this may cause, Legion Partners has adopted the following policies and procedures. Firstly, all trades within an order are typically pre-allocated in accordance with pro-rata basis described above. Secondly, Clients pay the mean share price of all trades filled with a trade order. Thirdly, all commissions are allocated on a pro-rata basis. Finally, in the event of a partial fill, all executed trades are allocated to the participating Clients on a pro rata basis in accordance with their pre-trade allocations.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **A. Periodic Reviews**

Legion Partners produces daily internal reporting, which set out the preceding day's transactions, Client account balances and holding values. These reports are reviewed daily by at least one principal. Legion Partners' Investment Committee (the "Investment Committee") performs more detailed reviews not less frequently than monthly to evaluate factors such as the status of holdings and performance of Client accounts.

### **B. Non-Periodic Reviews**

Whenever an issue is raised with respect to a particular holding, affected accounts are reviewed as appropriate.

### **C. Client Reports**

Legion Partners provides Client reports no less frequently than quarterly. Such reports typically set out account holdings and performance. Actual reporting requirements range from daily to quarterly depending on the terms of the applicable Client Agreement. Supplemental reports may be provided upon request.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. No Compensation Received from Non-Clients**

Legion Partners does not receive any economic benefits from non-Clients for providing investment management or other services to Legion Partners' Clients.

### **B. Client Referrals**

Legion Partners does not use the services of solicitors, marketing agents or placement agents for the referral of Clients.

## **ITEM 15: CUSTODY**

Legion Partners does not maintain direct custody or possession of any of its Clients' funds or assets. Legion Partners will ensure that all information on all trades executed for its Clients are provided to the appropriate custodian. The custodian shall provide monthly statements to the Legion Partners. Legion Partners will provide monthly statements to Clients.

## **ITEM 16: INVESTMENT DISCRETION**

Legion Partners has discretionary authority over all Client assets; although for certain Co-Investments or side-by-side investments or pension consulting services in connection with investment advisory services, the Client may retain discretionary authority. Clients may limit this authority by imposing restrictions on investing in certain securities or types of securities. Clients typically grant Legion Partners this authority by executing their Client Agreement.

## **ITEM 17: VOTING CLIENT SECURITIES**

Voting proxies is an important part of Legion Partners' investment strategy and its engagement of portfolio companies. Consequently, Legion Partners typically votes Clients' securities unless otherwise agreed in the Client Agreement (generally only for side-by-side investments or Co-investments in separately managed accounts).

### **A. Policy**

Legion Partners' policy is that each proxy proposal should be individually reviewed to determine whether it is consistent with Legion Partners' investment strategy and in the best interest of its Clients, taken as a whole.

### **B. Procedure**

Legion Partners has developed the following procedures for voting proxies:

- The Investment Committee shall be responsible for reviewing the special and/or annual report, proxy proposals and proxy proposal summaries. The Investment Committee shall take into consideration what vote is consistent with Legion Partners' investment strategy and in the best interests of Legion Partners' Clients, taken as a whole. The Investment Committee will then vote the proxies in accordance with its policy.
- In reviewing the proxies and making voting decisions, Legion Partners generally performs its analysis internally for each investment; however, from time to time, the Investment Committee may review external sources' commentary such as the RiskMetrics Group and Glass Lewis.
- Legion Partners shall maintain copies of each annual report, proposal, proposal summary, actual vote, and/or any other information required to be maintained for a proxy vote.
- The Investment Committee may direct certain staff members to complete the forms in accordance with specific voting instructions provided by the Investment Committee.
- With respect to proxy votes on topics deemed, in the opinion of the Investment Committee, to be controversial and/or particularly sensitive, the

Investment Committee will provide a written explanation for the proxy vote, which will be maintained with the record of the actual vote in Legion Partners' files.

**C. Client Directed Voting**

Legion Partners does not currently allow Clients to direct Legion Partners' voting of their securities.

**D. Conflicts of Interest**

In cases where Legion Partners is aware of a conflict between the interests of a Client and the interests of Legion Partners and/or an affiliated person, Legion Partners may abstain from voting or vote the proxy in a manner it believes, in its sole discretion, is consistent with its investment strategy and serves the best interests of its Clients, taken as a whole. Legion Partners will review any potential or actual conflict on a case-by-case basis.

**E. Further Information**

Clients may obtain a copy of Legion Partners' Proxy Voting Policies and Procedures or information about how Legion Partners voted any security by submitting a written request to Legion Partners. Legion Partners will provide requested documents and information within a reasonable period of time or as otherwise agreed in the Investment Agreement with a Client.

**ITEM 18: FINANCIAL INFORMATION**

Legion Partners does not require Clients to pay any advisory fees more than six months in advance. Legion Partners has never been the subject of a bankruptcy petition.

**ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Legion Partners is not registered with any state securities authority.