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# Wainwright Investment Counsel, LLC

## Part 2A of Form ADV

### Brochure

March 28, 2014

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This firm brochure (this “Brochure”) provides information about the qualifications and business practices of Wainwright Investment Counsel, LLC (hereinafter, “Wainwright,” or the “Firm” or “we” or “our” or “us”). If you have any questions about the contents of this Brochure, please contact us at 617-531-3100 or [info@winvcounsel.com](mailto:info@winvcounsel.com). The information in this Brochure has not been approved nor verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

Additional information about Wainwright is also available on the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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## **Item 2 – Material Changes**

The Firm filed its previous Form ADV Part 2A as an other-than-annual amendment on January 17, 2014. This is an updating annual amendment to reflect, among other things, an update to the range of investment advisory and consulting services the firm provides to its clients, including the frequency by which the firm is compensated for providing such services. Refer to Items 4 and 5 for details. There have been no other material changes to report about the personnel, operations or investment processes of Wainwright.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting [info@winvcounsel.com](mailto:info@winvcounsel.com), or by calling Wainwright Investment Counsel, LLC at 617-531-3100.

Additional information about Wainwright Investment Counsel, LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with the firm who are registered, or are required to be registered as investment adviser representatives.

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#### **Item 4 – Advisory Business**

Wainwright is an SEC-registered investment adviser with its principal place of business located in Boston, Massachusetts, USA. The Firm began conducting business in 1999 as an independent entity, but the founder has been in business since 1994.

Wainwright provides a variety of investment advisory and consulting services to its clients:

##### **A. Asset Management Consulting Services**

Wainwright may provide asset management consulting services to individuals, high net worth individuals, pension and profit-sharing plans, employee benefit plans, charitable institutions, endowments, trusts, estates, hedge funds and fund of funds, corporations, and partnerships. Asset Management Consulting Services are generally comprised of a subset of the four (4) distinct services described below. Clients may contract with Wainwright to receive any single service, combination or all of these services. Furthermore, from time to time, clients may engage Wainwright to provide ad-hoc management consulting services in the form of educational workshops and/or materials based on industry knowledge and/or best practices. The provision of such services shall not preclude Wainwright from engaging with the client in the other types of Asset Management Consulting Services or any other services described herein.

Wainwright may provide these services for a single engagement, for a specific time period, or on an ongoing basis. Regardless of the type of engagement, the scope and duration of a particular client's Asset Management Consulting Services is covered in a written consulting and/or services agreement(s) between the client and the Firm.

##### **Investment Policy Statement Preparation**

We will meet with the client to determine an appropriate investment strategy that reflects the client's stated investment objectives for management of the overall plan. The Firm then prepares a written investment policy statement ("IPS") which details the client's needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance. As stated above, not every Asset Management Consulting Services client receives this service.

##### **Manager Selection and Manager Monitoring**

Wainwright also offers management consulting services to clients through our selection and monitoring of unaffiliated investment managers. Based on the client's individual

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circumstances and needs, the firm will perform manager searches of various unaffiliated investment managers to identify investment managers whose portfolio management style is appropriate for that client. Factors considered in making this determination include account size, goals, risk tolerance, the opinion of each client, and the investment philosophy of the selected manager. This service may result in the selection of a single or multiple managers, depending on the needs of the client. Clients should refer to each selected manager's firm Brochure (Form ADV Part 2A) and other disclosure documents for a full description of the services offered by the particular manager. We are available to meet with clients on a regular basis, or as determined by the client, to review the account.

The Firm monitors the performance of the selected manager(s). If Wainwright determines that a particular selected manager is not providing sufficient or adequate investment management services to the client, we may suggest that the client consider limiting or curtailing its use of the manager or contract with a different manager. Under this scenario, Wainwright assists the client in selecting a new manager. However, any move to a new manager or managers is solely at the discretion of the client.

#### Asset Allocation Study

This service provides the client with an asset allocation strategy developed after goals and objectives are identified and established based on the client's particular circumstances. If appropriate, this asset allocation strategy is drafted into the client's Investment Policy Statement ("IPS"). We will then review various mutual funds (both index and managed) or managers to determine which investments are appropriate to implement the client's IPS. The number and type of investments to be recommended will be determined by the client. As stated above, not every Asset Management Consulting Services client receives this service.

#### Performance Reporting

Wainwright monitors and reports client investment performance regularly, based on the procedures and timing intervals delineated in the Firm's agreement with the client. Although the Firm is not generally involved in the purchase or sale of these investments, we supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate. As stated above, not every Asset Management Consulting Services client receives this service.

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## **B. Investment Supervisory Services and Individual Portfolio Management**

Wainwright provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Depending on the advisory agreement each client signs with Wainwright, clients may elect to have the Firm perform this service on a discretionary or non-discretionary basis.

Through discussions with the client or a client representative in which goals and objectives are identified and established, the Firm may develop a client's personal or institutional investment policy. The Firm creates and advises or manages a portfolio based on that policy. During Wainwright's information gathering process, we determine the client's particular objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as other relevant information and circumstances.

Wainwright manages these advisory accounts on either a "discretionary" or "non-discretionary" basis. A discretionary account is one in which the client has given the Firm written authority to make investments in and for the client's account (based on the client's IPS or stated account or portfolio objectives) without obtaining the client's consent for each transaction in advance of the transactions. A non-discretionary account requires specific authorization from the client for each transaction before it is executed by the Firm. This authorization can be either written or verbal.

Account supervision is guided by the client's IPS or stated objectives (*e.g.*, maximum capital appreciation, growth, income, or growth and income, etc.). Unless agreed to with the client, the client's portfolio is generally not managed for tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Any restrictions must be agreed to in writing by the client and the Firm.

Once the client's portfolio has been established, Wainwright reviews the portfolio on at least a quarterly basis, and as necessary makes recommendations to change or rebalance the portfolio, based on the client's individual needs as specified in the client's investment advisory agreement with the Firm.

Wainwright's investment advice and selections are not limited to any specific product or service offered by an investment advisor, broker-dealer, or insurance company and will generally include advice regarding the following types of securities:

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Exchange-listed securities	United States governmental securities
Securities traded over-the-counter	Options contracts on securities
Foreign issuers	Futures contracts on tangibles
Warrants	Futures contracts on intangibles
Corporate debt securities (other than commercial paper)	Interests in partnerships investing in real estate and other assets
Commercial paper	Interests in partnerships investing in private equity
Certificates of deposit	Interests in partnerships, hedge funds or fund of funds
Municipal securities	Investment Company Securities (mutual funds, variable annuities, and variable life)

At the client's request, other alternative investments may be recommended, which could include but are not limited to private equity, venture capital, and leveraged buy-out funds.

Because some types of investments involve certain additional degrees of risk, they will only be recommended or implemented when consistent with the client's stated investment objectives, risk tolerance, liquidity, and other constraints.

### **C. Hedge Fund Advisory Services**

Wainwright may act in the capacity of a solicitor or placement agent and "solicit" certain institutional and/or private clients to invest in hedge funds, hedge fund fund-of-funds or private equity funds (collectively, "Funds") that Wainwright, or an affiliate, may be involved in the management, ownership and/or administration of. In addition, Wainwright may solicit such clients to invest in Funds that Wainwright is not affiliated with. Finally, Wainwright may act in the capacity of a solicitor or placement agent and "solicit" such clients to engage third party advisors that Wainwright may or may not be affiliated with. Wainwright may receive and/or pay compensation as a result of acting in the capacity of a solicitor, the nature and amount of which must be dictated by a respective Adviser-Solicitation Agreement.

Additionally, WFS, LLC ("WFS") may act in the capacity of a solicitor or placement agent and may receive and/or pay compensation to third parties as a result, the nature and amount of which must be dictated by a respective solicitor and/or placement agent

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agreement. WFS is a wholly owned subsidiary of Wainwright and is an SEC registered broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA").

#### Wainwright Capital Partners, LLC

Wainwright Capital Partners, LLC ("WCAP") is the general partner of the Wainwright Renaissance Fund 1, L.P. ("WRF"). WCAP has filed an application with the National Futures Association as a Commodity Pool Operator. WCAP is a "related person" of Wainwright due to Wainwright's 100% ownership of WCAP. Clients of Wainwright may be solicited to invest in WRF. Neither Wainwright nor any of its affiliates have any involvement in the day to day management of the portfolio positions or trading in WRF. Wainwright is the administrative manager of WRF. Wainwright is paid a fee for administrative management services it provides to WRF. These services include management of WRF's operations, including supervising the administrator, analyzing and reporting on WRF's performance to limited partners, and performing various administrative and back office services for WRF. As a founder and principal, manager and controlling person of Wainwright and WCAP, Eric Bertonazzi controls the management and operations of Wainwright and WCAP.

#### Wainwright Global Capital, LP

Wainwright Global Capital, a Cayman Islands partnership, is a wholly-owned subsidiary of Wainwright that is intended to provide services to clients located outside of the United States. However, the entity is not currently engaged in any investment activities.

#### Dreadnought Management LLC and Dreadnought GP LLC

Dreadnought Management LLC ("Dreadnought Management") is the management company for the Wainwright Dreadnought Fund Ltd. , a Cayman Islands exempted company and Wainwright Dreadnought Fund L.P., a Delaware limited partnership (collectively, "WDF"). WDF was formed on June 6, 2013 and commenced operations on January 2, 2014. Dreadnought GP LLC ("Dreadnought GP") is the general partner for WDF. Dreadnought Management and Dreadnought GP are each a "related person" of Wainwright due to Wainwright and its principals' direct and indirect ownership of greater than 50% in each entity and due to the management control of each entity by the CEO of Wainwright. Clients of Wainwright may be solicited to invest in WDF.

The two funds invest all of their investable assets (other than short-term assets awaiting contribution or distribution) through a "master-feeder" fund, the Wainwright Dreadnought Master Fund L.P., a Cayman Islands partnership. Wainwright is the investment manager for WDF and receives a fee for investment advisory and other operational services

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provided to WDF. These other operational services include, but are not limited to, management of WDF's operations, including supervising the administrator, analyzing and reporting on WDF's performance to investors, and performing various administrative and back office services for WDF.

As a founder and principal member, manager and controlling person of Wainwright, Dreadnought Management and Dreadnought GP, Eric Bertonazzi controls the management and operations of Wainwright, Dreadnought Management, Dreadnought GP and WDF.

#### **AMOUNT OF MANAGED AND ADVISED ASSETS**

As of December 31, 2013, Wainwright Investment Counsel, LLC managed \$4.32 billion of client assets on a non-discretionary basis, plus \$54.87 million of client assets on a discretionary basis. The Firm's total advised or consulted assets were \$4.38 billion as of December 31, 2013.

#### **Item 5 – Fees and Compensation**

The specific manner in which fees are charged by Wainwright is established in each client's written investment advisory agreement. All fees are subject to negotiation. All material terms of the relationship will be included in the written investment advisory agreement executed by the client.

The Firm will generally bill its fees on a quarterly basis, in arrears; however, there are some clients that have agreed to advance billing. Clients may elect to be billed directly for fees or to authorize the Firm to directly debit fees from client accounts. Advisory fees are assessed on the market value of client assets at the end of each calendar quarter. Accounts initiated or terminated during a calendar quarter may be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

The Firm's advisory fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients are responsible for the payment of these costs and expenses. Clients may also incur certain other charges imposed by custodians, brokers, third-party investment managers, and other third-parties, such as interest charges, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Clients are responsible for the payment of these costs and expenses. Mutual funds, exchange-traded funds, investment advisors and private funds also charge internal management fees, which are disclosed in a fund's prospectus or

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offering documents. Such charges, fees and commissions are exclusive of, and in addition to, the Firm's advisory fees, and the Firm will not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Wainwright considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Generally, all fees may be negotiated, but the following represents Wainwright's customary fees for its advisory services:

### **Fees for Asset Management Consulting Services**

Fees for Asset Management Consulting Services are generally tiered and while quoted on an annual basis, are generally calculated and assessed on a quarterly basis. Alternatively, Wainwright may charge and receive one-time fees/payments for certain services provided as part of a management consulting engagement.

Generally, an annual advisory fee of 1.50% of portfolio assets is charged on the first \$1.0 million of portfolio assets. For portfolio assets above \$1.00 million up to \$5.0 million the marginal annual advisory fee is 0.50%. For portfolio assets above \$5.0 million the marginal annual advisory fee is 0.40% or a reduced amount.

*Example:* A portfolio of \$7.0 million would be charged advisory fees as follows:

\$1.0 million	x	1.5%	=	\$15,000
\$4.0 million	x	0.5%	=	\$20,000
<u>\$2.0 million</u>	x	0.4%	=	<u>\$ 8,000</u>

Portfolio Total Assets: \$7.0 million

Total annual portfolio advisory fees: \$43,000

In any client situation, the standard pricing structure may be negotiated at management's discretion.

### **Fees for Investment Supervisory Services and Individual Portfolio Management**

Fees for Investment Supervisory Services are quoted as a fixed percentage and quoted on an annual basis, but calculated and assessed on a quarterly basis.

The fixed advisory fee (not tiered) can range from of 1.0% to 1.5% on all portfolio assets.

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*Example:* A portfolio of \$7.0 million that is charged a fixed advisory fee of 1.2% would be charged advisory fees as follows:

$$\$7.0 \text{ million} \quad \times \quad 1.2\% \quad = \quad \$84,000$$

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

Other than through its ownership interest in entities that own, manage, or provide administrative services to the hedge funds described in Item 4, Wainwright will only charge or receive performance-based fees from its clients on a case-by-case basis and where Wainwright has a discretionary investment advisory agreement with such client. Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7 – Types of Clients**

Wainwright provides asset management consulting and portfolio management services to individuals, high net worth individuals, pension and profit-sharing plans, employee benefit plans, charitable institutions, endowments, trusts, estates, foundations, hedge funds and fund of funds, corporations, and partnerships. The aforementioned types of clients may be domiciled in the United States or outside of the United States.

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

### Asset Management Consulting Services - Methods of Analysis and Investment Strategies

Wainwright generally employs the following methods of analysis and approaches investment strategy with the following steps:

*Determine Current Exposure:* A review of the client's current portfolio and analysis of the existing portfolio's investment characteristics by asset class, strategy and style. This analysis generally includes weightings by asset class, expected returns and risk metrics.

*Formulate Investment Policy:* An Investment Policy typically defines an investor's investment objectives, tolerance for risk, investment time horizon, liquidity needs, tax considerations, legal and regulatory considerations, and any unique circumstances that may apply. These considerations are critical in determining a client's target asset allocation.

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*Asset Allocation Analysis:* At this phase, we refer to our capital market assumptions for each asset class and integrate them with specific investment policy inputs. We also generate model portfolios, displaying different asset class mixes, for client consideration.

*Manager Due Diligence:* We perform manager due diligence utilizing both quantitative and qualitative metrics. Typical areas of analysis include: performance, style specificity, asset growth, volatility of returns, downside risk, firm history, portfolio characteristics, and manager expertise, among others.

*Portfolio Construction:* We use the asset allocation framework to craft our client's actual portfolio. Some of the specific issues we assess include: active versus passive strategies, risk target in a specific asset class, pre-existing exposures, investment manager style, risk adjusted returns, tax considerations, separate versus commingled account management, tracking error, and correlation among managers.

*Portfolio Monitoring:* Typically, Wainwright provides its clients with quarterly performance reports. These reports illustrate time weighted performance for each investment manager and on a consolidated total portfolio basis, over quarter, year-to-date, and trailing periods.

#### Investment Supervisory Services and Individual Portfolio Management – Methods of Analysis and Investment Strategies

Wainwright uses the following methods of analysis in formulating its investment advice and/or managing client assets:

*Fundamental Analysis:* We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the issuer itself) to determine if the issuer is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security.

*Technical Analysis:* We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of an issuer. This

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presents a risk in that a poorly managed or financially unsound issuer may underperform regardless of market movement.

Wainwright uses the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

*Long-term purchases:* We recommend the purchase of securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- We believe the securities to be currently undervalued, and/or
- We want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

*Short-term purchases:* When utilizing this strategy, we recommend the purchase of securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

#### Risks for All Forms of Analysis

Wainwright's securities analysis methods rely on the assumption that the companies whose securities we recommend, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

#### Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Wainwright or the

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integrity of its management. Wainwright has no reportable information applicable to this Item.

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

As highlighted in item 4.C., Wainwright has a wholly owned subsidiary, WFS, LLC (“WFS”) that is an SEC registered broker-dealer and a member of FINRA and SIPC. Many of Wainwright’s employees are also registered representatives of WFS. As such, these Wainwright employees may be limited to executing brokerage transactions through WFS in order to receive commissions or other sales-based (non-advisory) compensation.

Additionally, as highlighted in item 4.C., Wainwright has several other affiliations and interests in various limited partnerships and limited liability companies. Refer to that item/section for details.

### **Item 11 – Code of Ethics**

Wainwright has adopted a Code of Ethics for all supervised persons of the firm that describes its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Wainwright must acknowledge the terms of the Code of Ethics annually, or as amended.

Wainwright anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it will cause accounts over which Wainwright has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Wainwright, its affiliates and/or clients, directly or indirectly, have a position of interest. Wainwright’s employees and persons associated with Wainwright are required to follow Wainwright’s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Wainwright and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Wainwright’s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Wainwright will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not

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materially interfere with the best interest of Wainwright's clients. In addition, the Code of Ethics requires pre-clearance of certain transactions, and may restrict certain trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is monitored under the Code of Ethics to reasonably prevent conflicts of interest between Wainwright and its clients.

Wainwright's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting [info@winvcounsel.com](mailto:info@winvcounsel.com).

It is Wainwright's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Wainwright will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

### Use of Broker-Dealers

Wainwright has a wholly owned subsidiary, WFS, that is an SEC registered broker-dealer and a member of FINRA and SIPC. WFS may affect securities transactions for Wainwright clients for a separate fee or commission, or at no charge at all as part of Wainwright's overall advisory services to its clients (i.e., commission waiver or provided at or near WFS's cost). In the latter case, the WFS cost is either completely or partially offset by the advisory fees that the client pays to Wainwright.

Wainwright clients may also use the services of Pershing Advisor Solutions, LLC ("PAS") for brokerage services for Wainwright accounts. Whether Wainwright clients use WFS or PAS, their accounts will be held at Pershing, LLC as the clearing broker and custodian for each of WFS and PAS. PAS and Pershing, LLC are not affiliated with Wainwright.

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When Wainwright clients open accounts at either WFS or PAS, they execute a brokerage agreement (in addition to their investment advisor agreement with Wainwright) that covers the terms of their arrangement with either WFS or PAS.

Wainwright may recommend that clients use the services of WFS and PAS, however, Wainwright clients are not required to use either of these firms and may choose to use other brokers and custodians for these services.

### Hedge Fund Payments

WFS has been appointed the non-exclusive placement agent for the Wainwright Renaissance Fund 1, L.P. (“WRF”), Wainwright Dreadnought Fund L.P. and Wainwright Dreadnought Fund Ltd. (collectively, “WDF”). Wainwright is the “administrative” manager for WRF and the investment manager for WDF. WFS shall receive a placement fee under the WRF and WDF placement agreements for any investor that invests in such funds as a result of WFS’s sales efforts. WFS also acts in a similar placement agent capacity on behalf of funds not affiliated with Wainwright.

### **Item 13 – Review of Accounts**

Wainwright provides investment supervisory services for some of its clients (*i.e.*, discretionary accounts). These portfolios are reviewed no less frequently than monthly by the client service consultants. The client service consultants with the assistance of the analysts and/or the operations group may conduct more frequent reviews as the result of either a triggering event (*i.e.*, market adjustment) or at the request of the client.

The client service consultants with the assistance from the analysts and the operations group work jointly to provide quarterly reviews for all client portfolios. Criteria in an account review may include, but are not limited to, market fluctuations, significant events, client needs and client objectives. An extensive objective review is typically conducted on a yearly basis (or more or less frequently as agreed with the client) to ensure alignment between the client’s investment philosophy, risk tolerance, objectives and their existing portfolio. The yearly reviews typically take into consideration liquidity, time horizon, recent changes in the client’s investment philosophy, risk tolerance, and/or any other factor deemed pertinent for that particular client, such as tax or other considerations.

All clients receive a quarterly report containing asset values and performance information. Clients may also receive asset valuation reports and/or performance information directly from an underlying manager on either a monthly or quarterly basis. Capital gain and loss information is provided to the client upon request.

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## **Item 14 – Client or Wainwright Referrals and Other Compensation**

### Client Referrals

The Firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to the Firm. Whenever Wainwright pays a referral fee, we require the Solicitor to provide the prospective client with a copy of this Brochure and a separate disclosure statement that includes the following information:

- The Solicitor's name and relationship with the Firm;
- The fact that the Solicitor is being paid a referral fee;
- The amount of the fee; and
- Whether the fee paid to us by the client will be increased above our

Normal fees in order to compensate the Solicitor.

We do this to comply with SEC Rule 206(4)-3. A referred client is not charged a greater fee than they would have paid had they come directly to Wainwright.

### Wainwright Referrals

The Firm has entered into a solicitor agreement with an independent registered investment adviser and may enter into additional solicitor agreements in the future. Pursuant to such agreements, Wainwright receives referral fees in its capacity as a Solicitor for introducing clients or fund managers to other registered investment advisers. Whenever Wainwright receives a referral fee, the prospective client executes a separate disclosure statement that includes the following information:

- Wainwright's name as Solicitor and relationship with the registered investment adviser;
- The fact that Wainwright is being paid a referral fee;
- The amount of the fee (as a %); and
- Whether the fee paid to Wainwright will be increased above the registered investment adviser's normal fees in order to compensate Wainwright (as Solicitor).

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This disclosure statement is intended to comply with SEC Rule 206(4)-3. A referred client or fund manager is not charged a greater fee by the registered investment adviser than they would have paid had they come directly to such registered investment adviser.

### Other Compensation

As mentioned in Item 12, Brokerage Practices, Wainwright's advisory clients may use the services of WFS and PAS for brokerage services for advisory accounts that are managed by Wainwright. Whether they use WFS or PAS, clients' accounts will be held at Pershing, LLC as the clearing broker and custodian for each of WFS and PAS. If the accounts are held on the PAS platform, the following additional information applies to these accounts.

PAS also may make available to Wainwright other products and services that benefit Wainwright but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of the Firm's clients, including accounts not maintained at PAS.

PAS's products and services that assist Wainwright in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Wainwright fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

PAS also offers other services intended to help Wainwright manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. PAS may make available, arrange and/or pay third-party vendors for the types of services rendered to Wainwright. PAS may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Wainwright. PAS may also provide other benefits such as educational events or occasional business entertainment of Wainwright personnel. In evaluating whether to recommend or require that clients custody their assets at PAS, Wainwright may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by PAS, which may create a potential conflict of interest.

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Without this arrangement with PAS, Wainwright might be compelled to purchase the same or similar services at its own expense.

As a result of receiving such services for no additional cost, Wainwright may have an incentive to continue to use or expand the use of PAS's services. Wainwright examined this potential conflict of interest when it chose to enter into the relationship with PAS and has determined that the relationship is in the best interests of Wainwright's clients and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Wainwright determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Wainwright will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by Wainwright will generally be used to service all of Wainwright's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. Wainwright and PAS are not affiliates, and no broker-dealer affiliated with Wainwright is involved in the relationship between Wainwright and PAS.

### **Item 15 – Custody**

As previously disclosed in Item 5, the "Fees and Compensation" section of this Brochure, Wainwright and the Client may agree to authorize and arrange for the direct deduction of Wainwright's advisory fees from a Client's accounts.

As part of this billing process, the client's custodian is advised of the amount of the advisory fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the advisory fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact Wainwright directly if they believe that there may be an error in their statement.

Other than for the direct deduction of advisory fees, Wainwright does not have actual or

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constructive custody of client accounts. In the case of two of Wainwright's affiliated entities that are "related persons", Wainwright Capital Partners, LLC and Dreadnought GP, LLC, these two entities are deemed to have a custodial relationship with their respective funds (WRF and WDF), each in their respective capacity as the general partner of such funds.

#### **Item 16 – Investment Discretion**

If the client signs a discretionary investment advisory agreement, Wainwright will be granted discretionary authority from the client at the outset of the advisory relationship. This authority will allow Wainwright to select the identity, amount, time, and price at which securities are to be purchased and sold for the client's portfolio. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and making investment decisions, Wainwright observes the investment policies, limitations, and restrictions of the clients for which it provides discretionary investment advisory services. Wainwright allows its clients to place reasonable restrictions on the management of their portfolio. For discretionary clients, all investment guidelines and restrictions must be agreed to in writing between Wainwright and the client.

#### **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, Wainwright does not have authority to, and does not generally, vote proxies on behalf of its advisory clients, unless the particular client agreement states otherwise. Clients, therefore, retain the responsibility for receiving and voting proxies for securities maintained in client portfolios.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide certain financial information or disclosures about their financial condition. Wainwright has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.