

**PART 2A OF FORM ADV**

**FIRM BROCHURE**

**EASTBAY ASSET MANAGEMENT LLC  
1345 AVENUE OF THE AMERICAS, 3RD FLOOR  
NEW YORK, NY 10105  
PHONE: (212) 702-7148**

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**This Brochure provides information about the qualifications and business practices of EastBay Asset Management LLC (“EastBay” or “Adviser”). If you have any questions about the contents of this Brochure, please contact Hanif Dhanani at (212) 702-7162 or by e-mail at [hanif@eastbaycap.com](mailto:hanif@eastbaycap.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority, and references in this Brochure to the Adviser as a “registered investment adviser” are not intended to imply a certain level of skill or training.**

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

## **ITEM 2 – MATERIAL CHANGES**

This is the first time EastBay is submitting a Form ADV. In the future, when EastBay amends its Brochure for its annual update (or otherwise) and the amended version contains material changes from the last annual update, it will identify and discuss those changes either on this page or as a separate document accompanying the Brochure.

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## **ITEM 4 – ADVISORY BUSINESS**

EastBay, a Delaware limited liability company formed in January 2013, provides discretionary investment advisory services to private investment funds.

EastBay is a global long/short equity investment manager with a focus in the technology, media, telecom and leisure (“TMTL”) sectors. EastBay serves as investment manager to:

- EastBay Master Fund, LP (the “Master Fund”), a Cayman Islands exempted limited partnership;
- EastBay Offshore Fund, Ltd (the “Offshore Fund”), a Cayman Islands exempted company which is a feeder fund of the Master Fund;
- EastBay Onshore Fund LP (the “Onshore Fund”), a Delaware limited partnership; and,
- EastBay Focus Fund, LP (the “Focus Fund”), a Delaware limited partnership.

Collectively, the funds listed above are referred to in this Brochure as the “Funds”. EastBay also serves as sub-adviser to several other private funds. As used in the Brochure, the term “client” generally refers to each of the Funds and each private fund for which EastBay serves as sub-adviser.

EastBay tailors its advisory services to the terms set forth in confidential private placement memoranda or similar documents provided to the Fund’s investors. The Fund Documents set forth the Fund’s investment strategy, including guidelines regarding the types of securities the Fund will invest in and portfolio limits (if any). The Adviser does not tailor its advisory services to the individual needs of investors, and investors may not impose restrictions on investing in certain securities or types of investments.

The Funds may enter into agreements (sometimes referred to as "side letters") with certain prospective or existing shareholders whereby such shareholders may be subject to terms and conditions that are more advantageous than those received by other investors and as set forth in the Funds’ offering documents. Such modifications are solely at the discretion of the Fund and may, among other things, be based on the size of the shareholder’s investment in the Fund or affiliated investment entity, an agreement by a shareholder to maintain such investment in the Fund for a significant period of time, or other similar commitment by a shareholder to the Fund.

The Adviser is principally owned by Adam Wolfberg and Steve Landry (the “Principals”),

The Adviser does not participate in wrap fee programs.

As of November 1, 2014, EastBay has \$161,966,928 in assets under management all of which are managed on a discretionary basis.

## **ITEM 5 – FEES AND COMPENSATION**

The management and performance fee terms and percentages for clients other than the Funds are separately negotiated with the Adviser and, thus, fees for such client accounts may differ from those of the Funds, which are described below.

## Management Fees

### Onshore and Focus Funds

The Onshore and Focus Funds will pay the Adviser a quarterly management fee calculated at a rate of 0.5% (*i.e.*, 2% per annum) and 0.25% (*i.e.*, 1% per annum), respectively, of the value of each limited partner's capital account (the "Management Fee"). The Management Fee will be payable quarterly in advance based on the value of each limited partner's capital account as of the first business day of each calendar quarter, adjusted for contributions and withdrawals made during the quarter.

In the event a Fund not in existence for an entire calendar quarter, the Management Fee for such quarter will be prorated. The general partner of the Onshore and Focus Funds, in its sole discretion, may waive or modify the Management Fee for limited partners that are members, employees or affiliates of the general partner or the Adviser, relatives of such persons and for certain other investors.

### Offshore Fund

The Master Fund will pay the Adviser a quarterly management fee in advance calculated at a rate of 0.5% (*i.e.*, 2.0% per annum) of the net asset value of each common share as of the first business day of each calendar quarter without accrual of the Incentive Allocation (described below), if any. The Management Fee will be payable within 10 days after the first business day of each calendar quarter. The Management Fee will be deducted in determining the net profit or net loss of the Offshore Fund. The Management Fee for any period that is less than a calendar quarter will be prorated. If additional subscriptions are made to the Offshore Fund during a calendar quarter, the Management Fee will be prorated and charged at the time of such subscription. The Adviser may waive or modify the Management Fee for shareholders that are members, employees or affiliates of the Adviser or the general partner of the Master Fund, relatives of such persons and for certain other investors.

### Founders' Rights in the Onshore and Offshore Funds

#### Onshore Fund

With respect to the Onshore Fund, a limited partner that makes a capital contribution to the Fund on or prior to March 1, 2014, or another date as determined by the Onshore Fund's general partner will be subject to a reduced quarterly Management Fee equal to 0.375% (*i.e.*, 1.5% per annum) on that capital contribution and an early withdrawal fee, payable to the Fund, in an amount equal to 3% of the amount being withdrawn at any time prior to the one-year anniversary of such capital contribution. As more-fully described in the Onshore Fund's confidential offering memorandum, a founding limited partner may make an additional capital contribution to the Fund in amount equal to the capital contribution it made to become a founding limited partner (or some other amount as determined by the Onshore Fund's General Partner in its sole discretion), and the additional capital contribution will be subject to the founding limited partner's terms.

#### Offshore Fund

With respect to the Offshore Fund, a founding shareholder will, with respect to its Founders Shares, be subject to a reduced quarterly Management Fee equal to 0.375% (*i.e.*, 1.5% per annum) and an early redemption fee, payable to the Master Fund, in an amount equal to 3% of the net asset value of the Founders Shares being redeemed at any time prior to the one-year anniversary of the purchase of such Founders Shares. As more-fully described in the Offshore Fund's confidential explanatory memorandum, a Founding Shareholder may subscribe for additional Founders Shares in amount equal to the subscription

it made to become a Founding Shareholder (or some other amount as determined by the Fund in its sole discretion), and the additional Founders Shares will be subject to the Founding Shareholder terms.

Please refer to the confidential offering and explanatory memoranda for the Onshore and Offshore Funds, respectively, for additional details regarding Founders Rights in those Funds.

### Incentive Allocation

#### *Onshore and Focus Funds*

At the end of each fiscal year, 20% and 10%, respectively, of the Onshore and Focus Funds' net profits (including realized and unrealized gains and losses) allocated to a limited partner will be reallocated to the capital account of the Onshore and Focus Funds' general partner (the "Incentive Allocation"), subject to a loss carryforward provision discussed below. In the event that a limited partner withdraws or is required to retire at any time other than at the end of a fiscal year, the Incentive Allocation will be made with respect to such limited partner on the applicable withdrawal or retirement date. The general partner may, in its sole discretion, waive or modify the Incentive Allocation for limited partners that are members, principals, employees or affiliates of the general partner of the Onshore and Focus Fund or the Adviser, relatives of such persons, and for certain other investors. Under the loss carryforward provision, no Incentive Allocation will be made for a fiscal year until any net loss previously allocated to the capital account of such limited partner has been offset by subsequent net profits.

#### *Offshore Fund*

Except as provided below, at the end of each fiscal year, an amount equal to 20% of the net profits (including realized and unrealized gains and losses) allocated to each common share of the Offshore Fund will be reallocated to the capital account of the general partner in the Master Fund from the applicable capital account of the Offshore Fund in the Master Fund, which is the Offshore Fund's Incentive Allocation, subject to a loss carryforward. As a result, a separate sub-account of the Offshore Fund's capital account in the Master Fund will be established for each series of Common Shares. Under a loss carryforward provision contained in the Offshore Fund's partnership agreement, if a common share has a loss chargeable to it during any fiscal year, and during a subsequent fiscal year there is a profit allocable to such common share, there will be no Incentive Allocation payable with respect to such share until the amount of the loss previously allocated to such common share has been recouped. The Master Fund's general partner may waive or modify the Incentive Allocation for shareholders that are members, principals, employees or affiliates of the Adviser or the Master Fund's general partner, relatives of such persons, and for certain other investors. When calculating the Incentive Allocation, all items of income, loss, profit and expense incurred directly by the Offshore Fund will be taken into account. The Master Fund's partnership agreement provides that the Offshore Fund's general partner will be allocated the Incentive Allocation as of the end of each fiscal year and whenever common shares are redeemed.

### Expenses

The Adviser will be responsible for and will pay all overhead expenses of an ordinary and recurring nature such as rent, supplies, secretarial expenses, stationery, charges for furniture and fixtures, employee insurance, payroll taxes and compensation of employees. The Funds will bear all other expenses including fees paid to the Adviser, fees and expenses paid to the Funds' administrator, legal, accounting, audit and other professional fees and expenses, organizational expenses, directors' fees and expenses, research expenses (including research-related travel), investment expenses such as Fund compliance, commissions, custodial fees, bank service fees and other expenses related to the purchase, sale or

transmittal of Fund assets. Each of the Funds may amortize their organizational expenses over a period of up to 60 months from the date each Fund commenced operations.

The Offshore Fund invests all its assets in the Master Fund. Each investment entity, including the Offshore Fund, that invests in the Master Fund will indirectly bear the expenses of the Master Fund pro rata based on its interest in the Master Fund.

From time to time, the Funds and other client portfolios may invest in securities of investment companies that are not managed by the Adviser, such as closed-end funds, open-end funds and exchange-traded funds (“ETFs”) as part of hedging, trading and investment strategies. To the extent that the Funds and other client portfolios invest in such securities, the Funds and other portfolios incur layered fees; that is, they not only pay fees directly to the Adviser, but also pay fees charged by the entities that manage the investment companies’ securities. Such fees may include custodial fees, management fees, early termination fees and other fees and expenses assessed by the sponsor, custodian, transfer agent or other service providers to an investment company.

The Funds and other client portfolios are charged brokerage commissions and other transaction costs and expenses in connection with their trading and investment activities. Please refer to Item 12 of this Brochure for a description of EastBay’s brokerage practices.

**It is important that investors refer to the applicable Fund Documents for a complete understanding of fees and other forms of compensation. The information contained herein is a summary only and is qualified in its entirety by such documents.**

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

EastBay receives performance-based compensation from all of its clients. As a result, EastBay does not anticipate having the potential conflicts of interest that arise when an investment adviser has both clients that pay performance-based compensation and clients that do not or those that arise when clients have fee percentages that differ. However, the existence of performance-based compensation may create an incentive for the Adviser to make more speculative investments on behalf of client portfolios than it would otherwise make in the absence of such performance-based arrangements. In addition, differences in performance-based fees across clients may create an incentive for EastBay to invest assets in a manner that would favor certain clients over other clients. To address this issue, the Adviser adheres to an allocation policy that is designed to ensure fair and equitable allocation of investment opportunities among those clients that are eligible for such investment opportunities.

**Complete fee disclosures are provided to investors in the Fund Documents and prospective investors should review such disclosures carefully.**

## **ITEM 7 – TYPES OF CLIENTS**

The Adviser provides investment advisory services to private investment funds.

The Fund will offer interests only to certain financially sophisticated investors who meet qualification requirements under applicable securities laws and other laws. Admission to the Funds is not open to the general public.

The minimum initial investment of an investor in the Funds is \$500,000, although lesser commitment amounts may be accepted in the discretion of the Adviser (or a Fund's general partner).

EastBay also serves as investment manager to private fund clients other than the Funds. The minimum initial account size for such clients is, \$5,000,000, although this amount is negotiable and/or may be waived by EastBay.

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

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

### **Methods of Analysis and Investment Strategies**

EastBay's investment process combines an extensive top-down industry analysis with focused and differentiated "bottoms up" company due diligence. EastBay has identified these three major areas of focus for idea generation:

**Thematic investing** – The Adviser believes the TMTL sectors provide a powerful backdrop of trends that will continue their path, without substantial impact from macroeconomic forces, and that these technological and behavioral shifts are in their early stages. Accordingly, the Adviser is of the opinion that these sectors offer ample opportunity for continued secular growth for consumer and enterprise category killers as well as disruptive challenges to incumbents and that this thus creates a clear divergence of winners and losers. We consider EastBay's industry expertise and extensive network an edge in its effort to identify transformative themes early in their life cycle and capitalize on inflection points as they arise.

**Thematic investments** tend to be of longer duration and allow for investment in multiple subsectors and geographies. Examples of these themes include the shift from desktop to mobile internet consumption; the shift from packaged entertainment to streaming video, digital and social gaming; and the increasing fragmentation of media consumption and its impact on both online and traditional advertising spending. **Bottoms-up investing** – EastBay endeavors to find investment opportunities that offer asymmetrical risk/reward and favorable absolute return in the TMTL sectors. EastBay's fundamental research is focused on exploring and quantifying these attributes to generate differentiated long and short ideas. The Adviser maintains proprietary models and screens to identify these patterns with quality inputs resulting from due diligence of competitors, customers, management and industry contacts.

EastBay considers compelling long traits to include underfollowed, niche businesses; market leaders with improving competitive advantages; shareholder friendly management teams; solid, sustainable free cash flow generation/ high return on invested capital; and companies that trade at deep discounts to asset or strategic value – a value gap that EastBay believes will close over time whether through mergers and acquisitions or material share repurchases. The Adviser also sees opportunity for long investment in high short interest/poor sentiment/low expectation companies with identifiable catalysts to prove a bear thesis regarding such companies wrong.

Short idea opportunities include promotional or defensive management teams; flawed business models facing secular headwinds; inappropriate leverage relative to business risk; over-hyped new businesses or fads; serial acquirers/restructuring; high customer concentration; crowded longs with unrealistic expectations; low competitive advantages enabling new entrants to erode market share or margin profile; aggressive accounting; and ignored regulatory risks.



Opportunistic trading – Individual stock volatility is on the rise in the TMTL sector due to collapsing investment time horizons and short term performance pressures. Accordingly, EastBay considers its high conviction in its fundamental work and its understanding of market expectations allows us to recognize irrational moves and opportunistically increase and decrease positions accordingly. EastBay’s framework is intended to “look through” volatile stock movement and take advantage of overreaction to industry news and company results. Examples of opportunistic trading include misinterpretation of data or news flow; forced selling; mispriced options around events; and “poor setup” due to unrealistic short-term expectations with no impact to long-term outlook.

#### Portfolio Construction

EastBay is focused on the global TMTL universe which encompasses a number of subsectors related to consumer discretionary spend, media consumption, and/or technology adoption. EastBay ranks these subsectors in order of importance (with the latter more opportunistic than the core) - internet and catalog retail, internet software and services, movies and entertainment, advertising, publishing, cable and satellite, broadcasting, home entertainment software, software, computer hardware, diversified telecom services, wireless telecom services, communications equipment, information technology services, specialized consumer services, specialty retail, casinos and gaming, hotels, restaurant and leisure, application software, real estate services (internet based), consumer durables and apparel (entertainment related). EastBay believes consumer and enterprise discretionary and consumption is close to a zero sum game and that EastBay’s coverage provides a differentiated look into the entire expenditure pie in many markets.

#### Risk Management

EastBay performs rigorous fundamental analysis to determine business, credit and liquidity risks to individual companies. Risk monitoring includes stock and industry concentration, foreign currency and macro exposure, growth/defensive/cyclical exposure, scenario analysis, gross and net exposure, as well as liquidity at the stock and portfolio levels. EastBay believes low net exposure will serve to mitigate market risk. In addition, EastBay prefers strict process reviews over hard stop loss rules. Individual position reviews will be triggered on 15% relative underperformance vs. subsector peers. A five percent drawdown initiates a review of the entire portfolio. In these instances, EastBay is more apt to reduce gross exposure than reduce positions and change the portfolio risk profile. EastBay endeavors to protect assets and focus on capital preservation during these periods of underperformance.

Shorts – EastBay seeks to find shorts with the characteristics discussed in our investment approach above. These positions typically fall in three buckets – 1) deteriorating fundamentals with secular headwinds 2) near-term, negative catalyst driven or 3) those that hedge out event, sector, or macro risks relevant to a portfolio’s long exposure. Near term catalysts can at times be hard to identify and risk/reward may be too compelling to wait for an event to occur. In these shorts, the Adviser endeavors to have patience and discipline in sizing fundamental shorts on the way up and adding to the position as the catalyst presents itself. EastBay will endeavor to capitalize on binary events through the use of options.

Position Management/Exit Strategy – EastBay does not employ a specific rule for position management for all markets or individual positions. Position sizing and exiting is a dynamic and ongoing process related to liquidity, timing of catalysts and risk/reward. EastBay believes that stock movements will impact risk/reward, but price targets and investment thesis should only change with new material information.

## **Material Market and Investment Risks**

Prospective investors and clients should consider the Funds and other portfolios managed by the Adviser to be speculative investments involving a high degree of risk as they are not intended to be a complete investment program. The Funds and other client portfolios are designed only for sophisticated persons who are able to bear the risk of the loss of their entire investment in the Funds or portfolios. The following risk factors do not purport to be a complete explanation of all of the risks involved in an investment in the Funds or in any portfolio managed by the Adviser. Prospective investors and clients should carefully evaluate the following risks before making an investment through the Funds or the Adviser.

**Short Sales** – Client portfolios may engage in short sales. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a portfolio. A short sale involves selling securities not currently owned (*i.e.*, selling borrowed securities) and exposes a portfolio to the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There is the risk that the securities borrowed by a portfolio in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and a portfolio may be compelled to replace borrowed securities previously sold short with purchases in the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

**Technology, Media, Telecommunications and Leisure Risks** – Certain TMTL companies in which client portfolio invest may allocate, or may have allocated, greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. In addition, companies in which portfolio invest could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. As a result, these companies may have inexperienced management, face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

Further, many TMTL companies rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements to establish and protect their proprietary rights, which are frequently essential to the growth and profitability of a technology company. There can be no assurance that a particular company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop or patent technologies that are substantially equivalent or superior to the technology of a company in which a portfolio invests.

Conversely, other companies may make infringement claims against a company in which a portfolio invests, which could have a material adverse effect on such company. In addition, the markets in which many TMTL companies operate are extremely competitive. New technologies and improved products and services are continually being developed, rendering older technologies, products and services obsolete. Many of these companies have a strong market presence, brand recognition and existing customer relationships, all of which contribute to intensifying competition. There can be no assurance that companies in which a portfolio invests will successfully penetrate their markets or establish or maintain competitive advantages.

**Equity Securities** – Clients’ investment portfolios may include long and short positions in common stocks, preferred stocks, depositary receipts and convertible securities of United States and non-United States issuers. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business markets in which individual companies compete, interest rates and general market and economic conditions. Portfolios generally may invest in equity securities without restriction as to market capitalization and, thus, may invest in securities issued by smaller capitalization companies. Portfolios may purchase securities in all available securities trading markets, including initial public offerings and the aftermarket.

**Options** – Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. The Adviser may buy or sell (write) both call options and put options, and when writing options, may do so on a “covered” or an “uncovered” basis. A call option is “covered” when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. The Adviser’s option transactions may be part of a hedging strategy (*i.e.*, offsetting the risk involved in another securities position) or a form of leverage, in which the portfolio has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

Because option premiums paid or received by an investor are small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause the value of a portfolio to be subject to more frequent and wider fluctuations than would be the case if the portfolio did not invest in options. The Adviser could mitigate these losses by selling short, or buying puts on, the securities for which it holds call options, or by taking a long position (*e.g.*, by buying the securities or buying calls on them) in securities underlying put options.

When the Adviser sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is covered. If it is covered, the portfolio would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the portfolio might suffer as a result of owning the security.

**Futures Contracts** – Client portfolios may invest in futures contracts. Futures positions (including financial futures) may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Adviser from promptly liquidating unfavorable positions and subject portfolios to substantial losses. In addition, the Adviser may not be able to execute futures contract trades at favorable prices if little trading in the contracts involved is taking place. It also is possible that an exchange or the Commodity Futures Trading Commission may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

Under the Commodity Exchange Act, futures commission merchants are required to maintain customers’ assets in a segregated account. To the extent that a portfolio engages in futures and options contract

trading and the futures commission merchants with whom the portfolio maintains accounts fail to segregate such assets, the portfolio will be subject to a risk of loss in the event of the bankruptcy of one of these futures commission merchants.

**Small to Medium Capitalization Companies** – Client portfolios may invest a portion of their assets in the stocks of companies with small-to medium-sized market capitalizations. While the Adviser believes these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

**Counterparty and Settlement Risk** – To the extent a portfolio invests in swaps, derivatives or "synthetic" instruments, repurchase agreements, other over-the-counter transactions or non-United States securities or engages in securities lending, a portfolio may take a credit risk with regard to parties with which it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Any such default by a trading counterparty could result in losses to the portfolio due to the delay of settlement of a transaction, loss of market gains or, in certain circumstances, loss of a portion or the full amount of the notional value of the transaction.

**Use of Leverage** – Client portfolios may employ leverage, which may result in a portfolio controlling substantially more assets than the portfolio has equity. Leverage increases a portfolio's returns if the portfolio earns a greater return on investments purchased with borrowed funds than the portfolio's cost of borrowing such funds. However, the use of leverage exposes the portfolio to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the portfolio not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the portfolio's cost of borrowing such funds. In the event of a sudden, precipitous drop in the value of a portfolio's assets, the portfolio might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

In an unsettled credit environment, the Adviser may find it difficult or impossible to obtain leverage for client portfolios. In such event, a portfolio could find it difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the Adviser being forced to unwind the portfolio's positions quickly and at prices below what the Adviser deems to be fair value for such positions.

**Non-United States Securities** – Client portfolios may invest in both United States securities and non-United States securities and their derivatives. Investing in securities of non-United States governments and companies that are generally denominated in non-United States currencies and utilization of options on non-United States securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political, economic and social instability, unpredictability of international trade patterns, expropriation, nationalization, imposition of foreign taxes including withholding taxes on dividends, interest and gains, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and

issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations and legal judgments, lack of uniform accounting and auditing standards and greater price volatility.

**Special Situations** – Client portfolios may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and 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, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price to the portfolio of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a portfolio 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 client portfolios may invest, there is a potential risk of loss by portfolios of their entire investments in such companies.

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

**Lack of Diversification** – A client's portfolio may not be widely diversified among sectors, industries, geographic areas or types of securities. Accordingly portfolio investments may be subject to more rapid change in value than would be the case if a portfolio were required to maintain a wide diversification among countries and industries.

**It very important that Investors refer to the Fund Documents for a complete understanding of the material risks involved in relation to EastBay's investment strategies and methods of analysis. The information contained herein is a summary only and is qualified in its entirety by such documents.**

## **ITEM 9 – DISCIPLINARY INFORMATION**

Neither the Adviser nor any of its management persons have any legal or disciplinary events that would be material to an investor's evaluation of the Adviser or the integrity of the Adviser's management.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither EastBay nor any of its management persons is registered, or has an application pending to register, as: (i) a broker-dealer; (ii) a registered representative of a broker-dealer; (iii) a futures commission merchant; (iv) a commodity pool operator; (v) a commodity trading advisor; or (vi) is an associated person of any of (iii), (iv) or (v).

EastBay General Partner LLC, an affiliate of EastBay, serves as general partner of the Master, Onshore and Focus Funds. The Principals control the general partner. The relationship between EastBay and EastBay General Partner LLC does not, in and of itself, create any material conflicts of interest affecting investors in the Funds or separately-managed account clients. However, EastBay General Partner LLC is subject to the same conflicts of interest with investors as is EastBay, the management of which are described in the next section of this Brochure, Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

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

EastBay's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the "Advisers Act"). The Code applies to EastBay's "Access Persons." Access Persons include, generally, any partner, officer or director of EastBay and any employee or other supervised person of EastBay who, in relation to the Fund, (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All EastBay employees are deemed to be Access Persons. The Code sets forth a standard of business conduct that takes into account the Adviser's status as a fiduciary and requires Access Persons to place the interests of the Funds, clients and investors above their own interests and the interests of the Adviser and its affiliates. All Access Persons are required to acknowledge their receipt of, and agreement to abide by, the Code upon hire and at least annually thereafter. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of the Adviser's Chief Compliance Officer (the "Chief Compliance Officer").

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide the Adviser's Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, the Adviser's Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with Advisers Act Rule 204A-1.

The Adviser manages the potential conflicts of interest inherent in personal trading by Access Persons through rigorous enforcement of its Code, which contains limitations on Access Persons' personal investment activities. Access Persons' personal securities transactions are required to be made in accordance with the Adviser's Code. In addition, the Adviser receives transaction and holdings reports in accordance with Advisers Act Rule 204A-1. The Code requires the Chief Compliance Officer to review Access Persons' personal transaction and holdings reports in an effort to ensure each Access Person is conducting his or her personal securities transactions in a manner that is consistent with the Code. No Access Person, unless otherwise approved by the Chief Compliance Officer or, as applicable, the Principals, is permitted to make personal investments other than personal and family real estate, money market funds, SEC registered open-ended mutual funds, ETFs and investments in the Funds. Transactions to close out positions held prior to employment at the Adviser are also subject to prior approval by the Chief Compliance Officer.

The Adviser's policies and procedures also seek to ensure the protection of nonpublic information about securities and investment recommendations provided to (or made on behalf of) the Funds and other clients. The Adviser maintains a "Restricted List" with the names of issuers of securities about which the Adviser (or its Access Persons) has learned material, non-public information or that may require, for business or legal reasons, that the Funds, other clients and Access Persons do not trade in the securities for a specific period of time. Access Persons are strictly prohibited from trading securities on the Restricted List (or any other securities to which the material, non-public information relates). In addition, the Adviser's policies and procedures seek to ensure the protection of non-public information about the activities of the Fund and other client accounts.

The Code of Ethics will be provided to clients upon request by contacting the Chief Compliance Officer, Hanif Dhanani at (212) 702-7162 or by e-mail at [hanif@eastbaycap.com](mailto:hanif@eastbaycap.com).

## ITEM 12 – BROKERAGE PRACTICES

EastBay has the authority for selecting the broker-dealer used in each transaction for client portfolios and for negotiating the fees to be paid to the broker-dealer in connection with such transactions. EastBay recognizes its duty to obtain “best execution.” Consistent with such duty, in determining best execution, EastBay takes into account the full range and quality of a broker-dealer’s services, including research and other services. EastBay does not select broker-dealers solely on the basis of lowest possible commission costs, but by the best qualitative execution.

Consistent with such policy, consideration is given to a variety of factors, including but not limited to, one or more of the following:

- the general execution and operational facilities of the broker or dealer;
- the type and size of the transaction involved;
- the creditworthiness of the broker or dealer;
- the financial stability of the broker or dealer;
- the reputation of the broker or dealer;
- execution and settlement capabilities;
- time required to negotiate and execute the trade;
- research services and EastBay’s arrangements related thereto;
- overall performance;
- the dealer’s risk in positioning the securities involved; and
- the broker’s commissions and dealer’s spread or mark-up.

While EastBay’s primary consideration in allocating portfolio transactions to broker-dealers is to obtain favorable prices and efficient executions, EastBay does not have an obligation to, and does not always seek to, obtain the lowest priced execution regardless of qualitative considerations. Commission rates are generally negotiable and thus selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable.

Subject to the objective of seeking best execution, EastBay also may take into consideration research and other brokerage services provided by the broker executing trades, which are included in the commission rate. When EastBay uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, it receives a benefit because it does not have to produce or pay for the research, products or service. In addition, EastBay may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the Funds’ interest in receiving most favorable execution.

Section 28(e) of the Securities Exchange Act, as amended, is a “safe harbor” that permits an investment manager to use commissions or “soft dollars” to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Except for services that would be a Fund expense or as otherwise described below, the Adviser 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). The use of commissions arising from the Fund’s investment transactions for services other than research and brokerage will be limited to services that would otherwise be a Fund expense, including, but not limited to, research-related travel expenses, expenses associated with risk management and investment-related compliance software and independent risk analyses. The use of commissions to obtain such other services would be outside the parameters of Section 28(e). In some instances, the Adviser may receive a product or service that may be used only partially for functions within Section 28(e) (e.g., an order management system, trade analytical software or proxy services). In

such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions, and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources. Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser in its other investment activities and thus, a client may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

Planned uses for research and related services obtained with "soft dollars" could be, among other things, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; and discussions with research personnel and industry experts, including through the use of expert networks.

EastBay may aggregate trades placed for the Fund unless it believes that doing so would conflict or otherwise be inconsistent with its duty to seek best execution for its clients, and/or the terms of the respective investment advisory contracts. When EastBay believes that it can effectively obtain best execution for its clients by aggregating trades, it will generally do so for all clients for whom the trades are both suitable and consistent with the respective investment advisory contracts and offering memoranda.

The Adviser has entered into an agreement with Concept Capital LLC ("Concept") under which the Adviser shares office space with, and utilizes certain back office and trading functions of, Concept. In addition, Concept may execute certain portfolio transactions for the Funds and other clients of the Adviser, and this relationship may be a factor that the Adviser considers when selecting a broker to execute certain portfolio transactions for the Fund. The Adviser has adopted various policies and procedures to address any compliance or conflict of interest issues related to such relationship with Concept.

Broker-dealers, including the Funds' prime brokers, may, from time to time, permit the Adviser to participate in capital introduction programs with respect to the Funds and/or recommend the Funds as an investment to clients. Portfolio transactions may be placed with firms who have made such recommendations or provided capital introduction opportunities, if otherwise consistent with seeking best execution. In no event will the Adviser select a broker or dealer as a means of remuneration for recommending the Fund or any other private fund managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

## **ITEM 13 – REVIEW OF ACCOUNTS**

Client portfolios will be under continuous review with regard to investment policy, the suitability of the investments used to meet policy objectives and investment objectives. The portfolios will be reviewed by the Adviser on a daily basis. The review will include, among other things, investment performance and whether anything has changed subsequent to an initial investment decision that impacts the risk or potential return. Additional or more frequent reviews may be triggered by investment performance, changes in market conditions, or other non-market risk analysis.

EastBay or the Funds' administrator will provide Investors in the Funds monthly unaudited reports regarding the performance of the Funds. In addition, Investors in the Funds receive a monthly performance update and a quarterly letter from the Adviser. Other clients will not receive monthly



statements from EastBay but will instead receive statements from, and have access to their account information at, their custodians.

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

EastBay does not currently utilize any third-party solicitors. In the future, EastBay may enter into written arrangements with third parties to act as solicitors or marketers for funds managed by EastBay. As applicable, all such compensation would be fully disclosed to each client consistent with applicable law. All such referral activities would be conducted in accordance with Rule 206(4)-(3) under the Advisers Act, as well as relevant SEC guidance.

## **ITEM 15 – CUSTODY**

EastBay is deemed to have custody of the Funds by virtue of its status as investment manager or through its affiliation with the Funds' general partner, as applicable. To ensure compliance with Rule 206(4)-2 under the Advisers Act, investors receive audited financial statements for the Fund, prepared by an independent accounting firm that is registered with and subject to inspection by the Public Company Accounting Oversight Board, within 120 days of the end of the Fund's fiscal year. Investors should carefully review the audited financial statements of the Fund.

EastBay does not and will not have custody with respect to other client portfolios the assets of which are held by independent, third-party qualified custodians.

## **ITEM 16 – INVESTMENT DISCRETION**

EastBay has discretionary authority to manage all its client accounts and to make purchase and sale decisions for all its client accounts.

The Funds' investment strategies are set forth in detail in confidential private offering memoranda or similar documents. Investors in the Funds do not have the ability to impose limitations on EastBay's discretionary authority. Prospective investors should carefully review offering documents prior to making an investment and should consult with their legal, tax, or other advisers prior to making any investment. Prospective investors must also execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool.

## **ITEM 17 – VOTING CLIENT SECURITIES**

EastBay has authority to vote securities on behalf of the Funds. Accordingly, EastBay has adopted proxy voting policies and procedures that address how EastBay votes proxies. Prior to voting any proxies, the Principals determine whether there are any material conflicts of interest related to the proxy in question. If no material conflict is identified, the Principals determine the manner in which to vote the proxy in question in accordance with EastBay's internal guidelines. EastBay may not vote every proxy. There may be times when refraining from voting is in a client's best interests, such as when EastBay's analysis of a particular proxy reveals that the cost of voting the proxy may exceed the expected benefit to the client (*e.g.*, casting a vote in a foreign security may require that EastBay engage a translator or travel to a foreign country to vote in person). Investors do not have authority to direct EastBay's vote in a particular solicitation.

EastBay keeps a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions and each request for proxy voting records and EastBay's response for the previous five years. Clients may obtain (i) a copy of EastBay's proxy voting policies and procedures and/or (ii) information on how EastBay has voted proxies with respect to the Fund's securities by contacting at or by email at.

With respect to other client portfolios, EastBay may make recommendations regarding the manner in which to vote a proxy to the client, but the client will be responsible for, and will retain ultimate authority for, voting proxies.

## **ITEM 18 – FINANCIAL INFORMATION**

The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. The Adviser has not been the subject of a bankruptcy petition.