

# **Red Ivy Capital, LLC**

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This Brochure provides information about the qualifications and business practices of Red Ivy Capital, LLC. If you have any questions about the contents of this Brochure, please contact us at (203) 883-8140 or via email at [adam@redivycap.com](mailto:adam@redivycap.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.

Red Ivy Capital, LLC ("Red Ivy") is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information that you may use to determine whether to hire or retain them. Additional information about Red Ivy is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

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This is a new adviser as of 2014.

In the future, this section of the Brochure will discuss only the specific material changes that were made to the Brochure and will provide you with a summary of all material changes that have occurred since the last filing of this Brochure with the SEC. This section will also identify the date of our last annual Brochure update.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year which is December 31st. We will provide other ongoing disclosure information about material changes as necessary. We will also provide you with a new Brochure, as necessary, based on changes or new information. Currently, our Brochure may be requested at any time, without charge, by contacting Adam Rowbotham at (203) 883-8140.

Additional information about Red Ivy is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for Red Ivy is 169621. The SEC's web site also provides information about any persons affiliated with Red Ivy who are registered, or are required to be registered, as Investment Adviser Representatives of Red Ivy.

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## Item 4 – Advisory Business Introduction

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Red Ivy Capital, LLC, a Delaware Limited Liability Company, is a registered investment adviser (sometimes referred to as “Red Ivy”, “Adviser”, “we”, “us”, or “our”) which offers investment opportunities in our private fund, Red Ivy Partners, LP (“Fund”). The Fund is a pooled investment vehicle, or more specifically, a hedge fund. Red Ivy was founded in 2014 by both Gilbert Mendez who serves as the CIO and Adam Rowbotham who serves as the CEO and Chief Compliance Officer. Gilbert Mendez is responsible for Portfolio Management, technology and research. Adam Rowbotham is responsible for trading, sales and marketing and compliance for the Firm.

The Fund’s investment objective is to generate consistent long-term investment returns by using a rigorous security selection using proprietary econometric models driven by technical and quantitative analyses, utilizing mathematical and statistical methods to invest primarily in European and U.S. equities, currencies (FOREX), exchange traded funds (ETFs), and futures. We are committed to the precept that by aligning our goals with our partners we will add value to our partners from an investment standpoint. We believe the long-term success of our firm hinges on our discipline, integrity, our professionalism, and our ability to consistently focus on our goal of achieving consistent long-term investment returns.

### Services

Red Ivy Capital, LLC, a Delaware limited liability company, serves as the Investment Adviser and Investment Manager for the Fund. The General Partner is Red Ivy Advisors, LLC. The Investment Manager is primarily responsible for making all trading decisions on behalf of the Partnership, while the General Partner will manage the day-to-day affairs of the Partnership and perform certain administrative functions for the Partnership. The principals of both the General Partner and the Investment Manager are CCO and Managing Member Adam Rowbotham, and Member Gilbert Mendez.

As the investment adviser, Red Ivy Capital, LLC will offer investment opportunities in the Fund to investors. The Adviser tailors its investment advice in accordance with the investment objective and strategy of the Fund, as set forth in the offering documents for the Fund. The Adviser does not tailor advisory services to the needs of any particular Investor in the Fund.

As of January 2014, we intend to provide asset management services for one account, the Fund. As of January 2014 the Fund has no assets. We are a new adviser; the Fund is new.

The Fund will be managed on a discretionary basis, which means we have been given the authority to determine the following without prior consent:

- Securities to be bought or sold for the account
- Amount of securities to be bought or sold for the account

Red Ivy does not participate in wrap fee programs.

## **Red Ivy Partners, LP (“Fund”)**

The Fund is a Delaware limited partnership formed in 2013 for the purpose of using proprietary econometric models driven by technical and quantitative strategies to invest primarily in European and U.S. Equities, ETFs, FOREX and Futures.

Red Ivy, as investment adviser, will make all the investment decisions for the Fund. Though we are an adviser to a private fund that operates as a commodity pool operator, neither does the Adviser nor the Fund have plans to or anticipate registering as a commodity pool operator with the National Futures Association, due to the exemption under CFTC Rule 4.13(a)(3) which indicates such registration is not necessary when each partner is an “accredited investor” and other associated criteria is met.

The Fund is a private investment fund. The Fund offers limited partnership interests pursuant to a private placement as provided under Regulation D of the Securities Act of 1933. Interests are offered only to “accredited investors” as that term is defined in Rule 501 of the Securities and Exchange Commission, who are also “qualified investors” under the SEC’s Rule 203-5. Each investor is also required to have substantial experience, together with the experience of the investor’s advisers, in evaluating and investing in private placement transactions of securities of companies similar to the Fund; have carefully evaluated their financial resources and decided that they can bear the economic risks of investment in the Fund; and are prepared to hold their Interests for a period of at least one year from the date of their investment.

Further, the Fund currently only offers limited partnership interests to institutional investors.

Purchasers of the interests in the Fund will become limited partners in the Fund and, as such, will not be entitled to participate in the management of the Fund. The limited partnership agreement and the Delaware Revised Uniform Limited Partnership Act, however, provide limited partners with limited voting and other rights. Each Limited Partner shall make an initial capital contribution to the Partnership in an amount not less than \$500,000 as of the first day of any calendar month (subject to the sole discretion of the General Partner to accept contributions at other times and in lesser amounts).

The Fund portfolio is actively managed and uses two complimentary strategies. The primary strategy encompasses quantitative reversion to the mean as its key component. The secondary opportunistic strategy is short term and directional in nature, and is designed to excel in periods of high volatility and designed to be complimentary to the reversion to the mean strategy. The relative weighting of each form of exposure is tactically assessed depending on market conditions. However, our short term directional strategy shall generally not exceed 30% of the portfolio.

We use a quantitative, high tech approach to asset management and run a sophisticated proprietary co-integration model to run and sort upwards of a hundred thousand pairs every morning. These pairs are derived through co-integration, which is a modeling technique for finding a pair of asset classes that are beta hedged that behave statistically in a normal distribution form. Out of hundreds of thousands of permutations, the highest ranking pairs are selected from the investable asset groups. The Investment Manager applies many technical and fundamental filters to further increase the probabilities of profitable trades.

Limited Partners making subscriptions to the Partnership will receive “Class A Interests” or “Class B Interests.” Class A Interests and Class B Interests, together with such other classes of interests as the General Partner determines in its discretion, shall be referred to herein as the “Interests.”

While Class B Interests will be offered to all investors, the Class A Interests are “Founders Interests” and the General Partner intends to offer these classes only to select investors, as determined by the General Partner in its sole discretion and described below.

Class A Interests will be offered to investors until the sooner to occur of: (i) the 6-month anniversary of the launch of the Partnership, or (ii) the date on which aggregate subscriptions received by the Partnership equal or exceed \$100,000,000 (the sooner to occur of (i) or (ii) above, the “Founders Class Closing”), or such later time and/or in excess of such amount as determined by the General Partner in its sole discretion. In addition, a Limited Partner who purchased Class A Interests prior to the Founders Class Closing shall have the right to purchase additional Class A Interests at any subsequent date. The Class A shares are currently open to investors.

Class A Interests and Class B Interests have the same rights, privileges, preferences and terms, except with respect to the Management Fee Percentage and the Incentive Percentage.

## **Item 5 – Fees and Compensation**

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### **Fund Management Fees**

We will receive management fees, a performance incentive allocation, and reimbursement of expenses incurred; as detailed in the Private Placement Memorandum. No selling commissions or discounts will be paid for selling interests in the Fund. Fees are determined and assessed in a manner specific to the Fund. The fees are typically not negotiable. Certain fees may be deferred or waived from time to time at the discretion of Red Ivy.

The partnership will bear the direct expenses incurred by the Fund, including legal, accounting, and Fund administration expenses. The Partnership will also pay, or reimburse the General Partner and/or the Investment Manager for, the Partnership’s initial and ongoing offering expenses as well as its organizational fees and expenses. Organizational costs may be amortized by the Partnership for tax purposes over 180 months under Section 709 of the Internal Revenue Code of 1986, as amended (the “Code”), and for accounting purposes may be amortized over 60 months or such other period deemed appropriate by the General Partner. U.S. generally accepted accounting principles (“GAAP”) may require that such costs be expensed when incurred for accounting purposes. Even if GAAP requires expensing when incurred, for purposes of determining the Partnership’s net asset value such costs may be amortized over 60 months or such other period deemed appropriate by the General Partner in its discretion, and the net asset value determination therefore may differ from GAAP. To the extent any Partnership expenses are advanced by the General Partner or the Investment Manager on behalf of the Partnership, such expenses will be promptly reimbursed. The Investment Manager and the General Partner will bear their own rent and similar overhead expenses, in addition to the salaries and benefits of their employees. At this time startup costs have been funded by the partners in the firm. The

business is now fully functional and requires minimal further initial investment in technology, legal services, furniture or fixtures. We will not receive other front-end fees other than ongoing reimbursement of organization and offering expenses that are being amortized over 60 months.

The Partnership will pay the Investment Manager a management fee (the “Management Fee”) quarterly in advance on the first day of each calendar quarter equal to the applicable Management Fee Percentage of the net asset value of each Capital Account as of such date (including any subscriptions made to the Partnership as of such date but before the accrual of any Incentive Allocation). The “Management Fee Percentage” is equal to: (i) 0.375% per quarter (approximately 1.5% per annum), with respect to Class A Interests, and (ii) 0.50% per quarter (approximately two percent (2.0%) per annum), with respect to Class B Interests. Capital contributions made as of times other than the first day of a calendar quarter will be assessed a pro rata Management Fee. Once paid, the Management Fee is non-refundable. The Investment Manager shall have the right to fully or partially waive the Management Fee with respect to one or more Limited Partners without notice to, or the consent of, the other Limited Partners.

You may also incur certain charges imposed by custodians and other third parties. These include fees charged by managers, custodial fees, 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. Exchange-traded funds (ETFs) and other types of funds also charge internal management fees, which are disclosed in the fund’s prospectus. These fees may include, but are not limited to, a management fee, upfront sales charges, and other fund expenses. We do not receive any compensation from these fees. All of these fees are in addition to the management fee you pay us. You should review all fees charged to fully understand the total amount of fees you will pay. Services similar to those offered by us may be available elsewhere for more or less than the amounts we charge.

The Adviser will also receive an incentive allocation equal to 20% of the Net New Appreciation for Class B Interests and 15% for Class A Interests, if any, achieved with respect to the capital account of each limited partner. The differences between Class A Interests and Class B Interests are summarized below:

	<b>Class A Interests</b>	<b>Class B Interests</b>
<b>Management Fee</b>	0.375% per quarter (approximately 1.5% annually)	0.5% per quarter (approximately 2.0% annually)
<b>Incentive Allocation</b>	15% per annum	20% per annum

The incentive allocation is charged on a quarterly basis in arrears on net new appreciation. Payments are due and will be assessed on the first day of each quarter, based on the ending balance of the account under management for the preceding quarter. The fees will be deducted directly from the Fund. Once paid, the Management Fee is non-refundable.

A Limited Partner may make a withdrawal from its Capital Account as of the last day of any calendar quarter. Withdrawals will be deemed made on a first-in, first-out basis, unless the General Partner determines otherwise. A Limited Partner withdrawing amounts from a Capital Account generally will be



paid an amount equal to at least ninety five percent (95%) of the amount to be withdrawn, net of any Incentive Allocation and accrued expenses (including the Early Withdrawal Charge, if applicable) through the Withdrawal Date, by no later than thirty (30) days after the Withdrawal Date, with the balance, if any, settled without interest no later than thirty (30) days after completion of the audit of the Partnership's financial statements for the year of the withdrawal.

A Limited Partner who withdraws any portion of its Capital Account prior to the one-year anniversary of such Limited Partner's admission to the Partnership will be subject to a withdrawal charge (retained by the Partnership) equal to 3% of the amount being withdrawn (the "Early Withdrawal Charge"). A Limited Partner must provide irrevocable written notice to the General Partner of his desire to make a withdrawal as of a Withdrawal Date at least thirty (30) days prior to such Withdrawal Date. This early withdrawal charge may be waived at the discretion of the General Partner.

The General Partner will have the right to require any Limited Partner to fully or partially withdraw from the Partnership at any time and for any reason or no reason upon at least three (3) days prior written notice (which may be given to a Limited Partner by e-mail or otherwise). A Limited Partner who is required to withdraw its Interests pursuant to a required withdrawal will not be charged any otherwise applicable Early Withdrawal Charge with respect to such Interest.

There is no minimum fee. No increase in the annual fee shall be effective without prior written notification from the Fund, and written approval by the client. The General Partner reserves the right, in its discretion, to accept or reject any subscription to purchase an Interest for any reason or no reason. Subscription monies will be returned without interest if a subscription is rejected by the General Partner.

The General Partner shall have the right to fully or partially waive any Incentive Allocation or Management Fee with respect to one or more Limited Partners without notice to, or the consent of, the other Limited Partners.

If a limited partner experiences net losses following the incentive allocation, we will retain all incentive allocations previously received, but no further incentive allocations will be charged to the limited partner until additional "Net New Appreciation" is achieved. Limited partners will not receive a refund of previously paid management fees for withdrawals of funds that occur on a date other than the last business day of a calendar quarter. A withdrawing limited partner may be charged a withdrawal charge reflecting the actual or estimated cost to the Partnership.

## **Item 6 – Performance Allocation**

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We receive a performance incentive allocation for management of the Fund quarterly in arrears. This is in addition to the Fund Management Fee. The incentive allocation is equal to (i) 20% of the Net New Appreciation for Class B Interests with respect to capital accounts corresponding to Class A Interests, and (ii) 15% for Class A Interests with respect to capital accounts corresponding to Class A Interests, as stated in "Item 5- Fees and Compensation" above. Even though incentive allocations are computed and allocable as of the end of each calendar quarter, such incentive allocations will accrue monthly. Limited

partners who redeem all or a portion of their Interests as of any date other than the end of a calendar quarter will be charged an incentive allocation, if earned, on the amount of the redemption. Incentive allocations will be charged even though we may not be entitled to an incentive allocation had the Interests been held through the end of the calendar quarter on account of losses incurred subsequent to the redemption. Incentive allocations charged on redemptions prior to the end of the first Determination Date will be retained by the partnership and thereafter be allocated to us.

Net New Appreciation, for the purpose of calculating the incentive allocation shall mean the increase, if any, in a limited partner's capital account over the limited partner's highest prior capital account from which a profit share was allocated to us, adjusted for contributions and withdrawals. For purposes of calculating Net New Appreciation, extraordinary expenses and taxes shall be excluded. Once an incentive allocation is assessed, it is not refundable even if the limited partner incurs losses thereafter.

In general, for purposes of calculating the Incentive Allocation, previously unrecouped losses in prior years will be deducted from any gains in succeeding years. Each Loss Recovery Account will be charged with any net capital depreciation allocated to the corresponding Capital Account. Amounts in a Loss Recovery Account will be proportionately reduced for withdrawals of capital.

We will structure any incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 in accordance with the available exemptions, including the exemption set forth in SEC Rule 205-3. In measuring investors' assets for the calculation of incentive fees, we shall include realized and unrealized capital gains and losses. Incentive fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

## **Item 7 – Types of Client(s)**

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We provide discretionary investment advisory services to the Fund. Investors in the Fund consist of institutional investors only. Each investor in the Fund is required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth under the federal securities laws. Our minimum account opening balance is \$500,000, which may be negotiable based upon certain circumstances. The Fund has minimum capital commitments for investors, as specified in the offering documents for the Fund.

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

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The Fund employs a number of different types of quantitative investment strategies including mean reversion, trend following and other systematic statistical methods as part of our overall investment management discipline. Our proprietary model analyses hundreds of stocks daily, and manages and monitors positions in real time. We actively manage the portfolio to mitigate risk, and also use stop limits along with hedges. We also use technical analysis to determine price and evaluate risk upon entry

and exit of open positions. The implementation as part of our investment advisory services to you may include any, all or a combination of the following:

## **1. Technical Analysis**

Technical Analysis is a technique that attempts to determine a security's value by developing models and trading rules based upon price and volume transformation. Technical analysis assumes that a market's price reflects all relevant information so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental and news events. The practice of technical analysis incorporates the importance of understanding how market participants perceive and act upon relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as market trends, market participant behaviors, supply and demand and pricing patterns and correlations.

In order to perform technical analysis, we may use any of the following techniques:

- Calculate moving averages
- Stochastic oscillators, which incorporate support and resistance levels to determine momentum.
- Charting and chart patterns
- Supply and demand indicators
- Investor behavior and psychology.

The investment strategies we use to implement any investment advice given to you include, but are not limited to:

- Short-term long and short trades
- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Derivatives generally; including options, futures, structured securities and other instruments and contracts.

As with other types of analysis, the predictive nature of technical analysis can vary greatly; models and rules are often modified and updated as new patterns and behaviors develop. Past performance is not an indicator of future return.

## **2. Proprietary Econometric Models**

We use proprietary econometric models driven by technical and quantitative analyses. We use these models to analyze investments in equities, FOREX, ETFs and futures. Asset classes are separated into baskets, screened for disruptive catalysts, such as earnings or announcements and run solely against one another in proprietary models. All the possible permutations of the pairs are derived through co-integration. Co-integration is a modeling technique for finding a pair of asset classes that are beta hedged that behave statistically in a normal distribution form. Out of hundreds of thousands of permutations, the highest ranking pairs are selected from the investable asset groups. The Investment

Manager applies many technical and fundamental filters to further increase the probabilities of profitable trades.

### **3. Risks**

We cannot guarantee that our analysis methods will yield a return. In fact, a loss of principal is always a risk. Investing in securities involves a risk of loss that you should be prepared to handle. You need to understand that investment decisions made by us are subject to various market, currency, economic, political, and business risks. The investment decisions we make will not always be profitable nor can we guarantee any level of performance.

Initially, we will offer our advisory services through investments in the Fund. The transactions in which the Fund will generally engage involve significant trading risks. No assurance can be given that limited partners will realize a profit on their investment. Moreover, each limited partner may lose some or all of their investment. Because of the nature of the Fund's investment activities, the results of the Fund's operations may fluctuate from month to month and from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results in future periods.

#### **General**

##### ***No Operating History of the General Partner***

The general partner, Fund, and investment adviser are both entities formed in 2013 with no operating history. Although Mr. Mendez and Mr. Rowbotham have each had over 10 years of experience investing assets with investment objectives the same or similar to those of the Fund, the prior performance of any other entity or account managed by these persons should not be relied upon to predict the future performance of the Partnership.

##### ***Reliance on the General Partner***

The success of the Fund will depend on our ability, and in particular the ability of Mr. Mendez and Mr. Rowbotham, to develop and implement investment strategies to achieve the Fund's investment objectives. The Fund's investment performance could be materially adversely affected if Mr. Mendez or Mr. Rowbotham were to die, become ill or disabled, or otherwise cease to be involved in the active management of the Fund's portfolio. Except under specified circumstances, if the general partner withdraws, is dissolved, or becomes insolvent, the Fund will be dissolved.

##### ***Limited Partners Will Not Participate In Management***

Purchasers of the Interests will become limited partners in the Fund and, as such, will not be entitled to participate in the management of the Fund. The limited partnership agreement and the Delaware Revised Uniform Limited Partnership Act, however, provide limited partners with limited voting and other rights.

##### ***Operating Deficits***

The expenses of operating the Fund (including our management fees) could exceed its income, requiring that the difference be paid out of the Fund's capital, reducing the Fund's investments and potential for profitability.

### ***Investment Risks***

All securities and commodities investing and trading activities risk the loss of capital. While we will attempt to moderate these risks, there can be no assurance that the Fund's investment and trading activities will be successful or that limited partners will not suffer losses. The following discussion sets forth some of the more significant risks associated with the Fund's proposed activities.

### ***Investments May Be Speculative***

Substantial risks are involved in investing in and trading equities, ETFs, FOREX, futures, and other securities. For this reason, a potential investor in the Fund should note that the prices of the Fund's investments may be highly volatile. Market movements are difficult to predict and are influenced by, among other factors, corporate and industry developments, interest rates, general economic conditions, governmental actions, domestic and international political news, governmental trade and fiscal policies, patterns of trade, and other factors. In addition, because the Fund may invest a significant portion of its assets from time to time in either a bullish or bearish position as an outright position speculating on the direction of a market, such speculation may increase the volatility of the Fund's returns and increases its risk of loss.

### ***Certain Investors***

Certain prospective Limited Partners may be subject to laws, rules and regulations which may regulate their participation in the Partnership, or their engaging directly, or indirectly through an investment in the Partnership, in trading strategies of the types which the Partnership may utilize from time to time. Prospective Limited Partners are strongly urged to consult with their legal and tax advisors prior to investing in the Partnership.

### ***Indemnification; Trade Errors***

Subject to applicable law, the Limited Partnership Agreement and the Investment Management Agreement contain broad indemnification provisions that require the Partnership to indemnify and hold the General Partner, the Investment Manager and their respective principals, members and managers, as applicable, harmless from any losses or costs incurred by them except in certain limited circumstances. The Partnership has also agreed to indemnify the Administrator in certain limited circumstances described in the Administration Agreement.

The Partnership and the Investment Manager shall (i) be responsible for any losses resulting from trading errors and similar human errors, absent bad faith, gross negligence or willful misconduct in the performance of the obligations or (ii) receive the gain from such trading errors. Trading errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements.

### ***Side Letter Agreements***

The Partnership, the General Partner and the Investment Manager may enter into "side letter" agreements with certain Limited Partners pursuant to which they may provide Limited Partners with preferential terms with respect to their investment in the Partnership, including, without limitation, with respect to Management Fees, Incentive Allocations, withdrawal terms (including the frequency of withdrawals and/or required notice periods) and/or transparency (including portfolio transparency). It is anticipated that such side letter agreements may be provided to Limited Partners that make

commitments (in amount and/or period of time) to the Partnership in excess of thresholds established by the General Partner in its discretion, however, the Partnership, the General Partner or the Investment Manager may also provide side letter agreements to other Limited Partners in its discretion. As a result of the terms provided in such side letter agreements, certain Limited Partners may be better able to assess the prospects and performance of the Partnership than other Limited Partners, and may be able to withdraw capital from the Partnership at times when other Limited Partners may not. Subject to applicable law and contractual requirements, the Partnership, the General Partner and the Investment Manager do not intend to disclose the terms of such side letter agreements and do not intend to disclose the identities of the Limited Partners that have entered into such agreements with the Partnership, the General Partner or the Investment Manager.

### ***Herding Risk***

While the Investment Manager typically may not invest in companies that are broadly followed by other funds or investment banks, such funds or investment banks may later discover opportunities in the same companies in which the Partnership has already invested. Whatever the “fair price” of a security or a relationship, its trading price is sometimes radically altered or influenced by the market activity of traders executing parallel trading programs. This factor may provide surprising and sudden losses at unpredictable times, even after long periods of calm. The negative impact of herding is greatest when markets are under stress and traders holding large leveraged positions (a strategy not pursued by the Partnership) seek to liquidate or cover positions simultaneously.

### ***Risks of Options Trading***

In seeking to enhance performance or hedge assets, the Fund may purchase and sell call and put options in both securities markets and commodity futures markets. Both the purchasing and selling of call and put options entail risks. Although an option buyer’s risk is limited to the amount of the purchase price of the option, an investment in an option may be subject to greater fluctuation than an investment in the underlying security. In theory, an uncovered call writer’s loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying security may fall below the exercise price. Successful use of options will depend upon our ability to appropriately manage trading risks.

### ***Risks of Futures Trading***

Futures trading is very speculative, largely due to the traditional volatility of futures prices. Futures prices are affected by and may respond rapidly to a variety of factors, including, without limitation, market and news reports, interest rates, national and international political or economic events, and domestic or foreign trade, monetary or fiscal policies or programs. Such rapid response might include an opening price on an affected futures contract sharply higher or lower than the previous day’s close. In such an instance, the Partnership might be unable to adjust its positions in time to avoid a loss.

### ***Risks of Currency Exchange Exposure***

The Fund may invest in securities denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. Dollar. The Partnership, however, values its securities in U.S. Dollars. Currency exchange rates are subject to sudden fluctuations of varying magnitude, and they are influenced by, among other things, government trade, fiscal, monetary and

exchange control programs and policies; national and international political and economic events; as well as changes in interest rates. The volatility of currency prices may render it difficult or impossible to predict or anticipate fluctuations in the value of currencies. The Partnership may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when the Partnership wishes to use them, or that hedging techniques employed by the Partnership will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all.

### ***Forward Trading***

The Partnership may engage, directly or indirectly, in forward trading. Forward contracts (including foreign exchange) and options are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated -- there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration, which could result in substantial losses to the Partnership.

### ***Fixed Income Securities***

The Partnership may trade, directly or indirectly, in bonds or other fixed income securities of U.S. and non-U.S. issuers, including, without limitation, bonds, notes and debentures issued by corporations, or debt securities issued or guaranteed by a sovereign government or one of its agencies or instrumentalities. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities will change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

### ***Leverage***

Leverage is the use of borrowed funds for investment. Such borrowed funds would generally be obtained by using securities the Partnership owns as collateral. Leverage may also be obtained through other means including the use of derivative instruments. To the extent the Partnership purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the Partnership's use of leverage would result in a lower rate of return than if the Partnership were not leveraged. If the amount of borrowings which the Partnership may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Partnership's portfolio will have a disproportionately large effect in relation to its capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the value of the Partnership's assets to rise more rapidly than would otherwise be the case. Conversely, if the investment performance

of the additional monies fails to cover their cost to the Partnership, the value of the Partnership's assets will generally decline faster than would otherwise be the case.

### ***Competition***

The securities industry and the varied strategies and techniques to be engaged in by the Investment Manager are extremely competitive and each involves a degree of risk. The Partnership will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

### ***In-Kind Distributions***

Although the Investment Manager expects to realize all of the Partnership's investments prior to the winding-up of the Partnership and the General Partner expects to distribute only cash to the Limited Partners, there can be no assurance that the Investment Manager and the General Partner will meet these objectives. In addition, if significant withdrawals are requested, the Investment Manager may be unable to liquidate the Partnership's investments at the time such withdrawals are requested or may be able to do so only at prices which the Investment Manager believes do not reflect the true value of such investments and which would adversely affect the Limited Partners. Under the foregoing circumstances, Limited Partners may receive in-kind distributions, if permitted by law or by contract, which in-kind distributions may include financial instruments, equity securities and other assets or instruments held by the Partnership as well as equity interests in subsidiaries of the Partnership, interests in special purpose vehicles holding assets owned by the Partnership or participation interests in assets owned by the Partnership. Such securities and instruments, which will be selected by the Investment Manager in its discretion, need not represent a pro rata portion of each position held by the Partnership, may not be readily marketable or saleable and may need to be held by Limited Partners or the Partnership in trust for Limited Partners, for an indefinite period of time. In addition, in-kind distributions may be made when the General Partner or the Investment Manager deems it advisable for tax purposes.

### ***Incentive Allocation***

The allocation of the Incentive Allocation to the General Partner, an affiliate of the Investment Manager, may create an incentive for the Investment Manager to cause the Partnership to make trades that are riskier or more speculative than would be the case if such allocation were not made. The Incentive Allocation was set by the General Partner without negotiations with any third party.

### ***Valuation***

To the extent that the Partnership trades in securities or instruments for which market quotations are not readily available, the valuation of such securities and instruments will be determined by the General Partner, in its discretion, the determination of which will be final and conclusive as to all parties. The General Partner may, but is not required to, obtain independent market quotations for or appraisals of, such assets at the expense of the Partnership. As the Incentive Allocation made to the General Partner and the Management Fee paid to the Investment Manager are based directly or indirectly on the Partnership's net asset value, the General Partner will have a conflict of interest in valuing these assets.

### ***Price Risk***

For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the securities in which the Partnership invests may



decline or rise substantially. In particular, purchasing assets at prices that may appear to be “undervalued” levels is no guarantee that such assets will not be trading at even more “undervalued” levels at the time of valuation or at the time of sale. Similarly, shorting assets at prices that may appear to be “overvalued” levels is no guarantee that such assets will not be trading at even more “overvalued” levels at the time of valuation or at the time of sale.

### ***Counterparty Risk***

Many of the markets in which the Partnership effects its transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. This exposes the Partnership to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Partnership to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Partnership has concentrated its transactions with a single or small group of counterparties. The Investment Manager is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of the Partnership to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Partnership.

The Partnership’s investment strategy requires extensive use of transactions that expose the Partnership to the credit of its counterparties, and vice versa.

### ***Contingency Reserves***

The Partnership, at any time, in the discretion of the General Partner may establish holdbacks for liabilities and reserves for contingencies, whether or not required by U.S. GAAP. The establishment of such reserves or holdbacks will not insulate any portion of the Partnership’s assets from being at risk, and such assets may still be traded by the Partnership. A pro rata portion of any holdback or reserve may be withheld from distribution to a withdrawing Limited Partner.

### ***Short Selling***

The Fund will engage in short selling of equity index options and options on equity index futures contracts. Short sales can, in some circumstances, substantially increase the impact of adverse price movements on the Fund’s portfolio. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying securities to cover the short position.

### ***Securities of Non-U.S. Companies***

Investments in securities of non-U.S. issuers (including non-U.S. governments) and securities denominated in, or the prices of which are quoted in, non-U.S. currencies pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks which could include expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. It is impossible to predict the rate of

foreign tax the Partnership will pay in advance since the amount of the Partnership's assets to be invested in various countries is not known.

### ***Exchange Traded Funds ("ETFs")***

The Partnership may trade in ETFs. An exchange traded sector fund may be adversely affected by the performance of that specific sector or group of industries on which it is based. Although index-based ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indices, ETFs may not be able to replicate exactly the performance of the indices because of their expenses and other factors. ETF shares may trade at either a discount or premium to their underlying net asset value.

### ***Concentration of Investments***

The Fund uses quantitative investment strategies including mean reversion, trend following, and other systematic statistical methods, and deploys manual and automated trading strategies. The Fund's investment strategy utilizes equities, futures, sector ETFs, FOREX, and other securities. The partnership agreement does not limit the amount of the Fund's capital that may be committed to any single investment, industry, or sector. The partnership agreement imposes no limits on the concentration of the Fund's investments in particular securities, industries, or sectors, and at times the Fund may hold a relatively small number of securities positions, each representing a relatively large portion of the Fund's capital. Losses incurred in such positions could have a materially adverse effect on the Fund's overall financial condition.

### ***Derivative Instrument Risk***

While past performance does not necessarily predict future returns, it can tell you how volatile (or stable) a fund has been over a period of time. Generally, the more volatile a fund, the higher the investment risk. Trading in derivative instruments can result in large amounts of synthetic leverage. If you'll need your money to meet a financial goal in the near-term, you probably can't afford the risk of investing in a fund with high volatility because you will not have enough time to ride out any declines in the stock market.

### ***Proprietary Econometric Models Risk***

The Partnership may utilize financial instruments including proprietary econometric models, both for investment purposes and for risk management purposes. The success of the Partnership's hedging strategy will depend, in part, upon the Investment Manager's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Partnership's hedging strategy will also be subject to the Investment Manager's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Partnership may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Partnership than if it had not engaged in such hedging transactions. For a variety of reasons, the Investment Manager may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Partnership from achieving the intended hedge or expose the Partnership to risk of loss. The Investment Manager may not hedge

against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Partnership's portfolio holdings.

### ***Credit Default Swaps***

The Partnership may purchase and sell credit derivatives contracts – primarily credit default swaps – both for hedging and other purposes. The typical credit default contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. In addition, the parties may be required to post collateral to secure their obligations, which can reduce the amount of collateral or funds available for other purposes.

The Partnership may also purchase and sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

### ***Purchase of Distressed Securities, Etc.***

The Partnership may purchase securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy, reorganization or other liquidation proceedings. Although such investments may produce significant returns to the Partnership, they involve a high degree of risk over a potentially lengthy period of time, and may provide less liquidity than many other investments. Investment in these types of securities requires sophisticated analysis and there can be no assurance that the Partnership will accurately predict various factors that could affect the prospects of a successful restructuring. Many of these investments ordinarily remain stagnant until the applicable company reorganizes and/or emerges from bankruptcy proceedings, and, as a result, may have to be held for an extended period of time.

### ***Convertible Securities***

The market value of convertible securities, as with all fixed income securities, tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and thus, may not decline in price to the same extent as the underlying common stock. If a convertible security held by the Partnership is called for redemption, the Partnership will be required to permit the issuer to redeem the security, convert it into the underlying stock or sell it to a third party. Any of these actions could have an adverse effect on the Partnership's ability to achieve its objectives.

### ***Small to Medium Capitalization Companies***

The Partnership may invest a material portion of its assets in the stocks of companies with small- to medium-sized market capitalizations. While the Investment Manager 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 of such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks. Such companies may also not be covered or followed by as many financial analysts as companies with larger market capitalizations, and therefore, there may be less information available to the Investment Manager with respect to the finances, operations and prospects of such small and mid-cap companies. The lack of such information could lead to riskier investments by the Partnership.

### ***Technical Analysis Risk***

Technical analysis is derived from the study of market participant behavior, and its efficacy is a matter of controversy. Methods vary greatly and can be highly subjective; different technical analysts can sometimes make contradictory predictions from the same data. Models and rules can incur sufficiently high transaction costs.

### ***General Economic and Market Conditions***

The success of the Fund's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Fund's investments, although we expect to trade in markets that are considered to be very liquid, characterized by high trading volumes. Unexpected volatility or illiquidity could impair the Fund's profitability or result in losses.

### ***Changes in Investment Strategies***

The partnership agreement gives us, as general partner, broad discretion to expand, revise, or contract the Fund's business without the consent of the limited partners. Thus, our investment strategies may be altered without prior approval by, or notice to, the limited partners if we determine that such change is in the best interests of the Fund. Any such decision to engage in a new activity could result in the exposure of the Fund's capital to additional risks that may be substantial.

### ***Insolvency of Brokers and Others***

The Fund will be subject to the risk of failure of the brokerage firms that execute its trades, the clearing firms that such brokers use, or the clearinghouses of which such clearing firms are members. In the event of a failure of a broker/dealer used by the Fund, the United States Securities Investor Protection Company ("SIPC") provides a maximum of \$500,000 of account insurance, only \$250,000 of which may be taken in cash.

## **Partnership Risks**

### ***Tax Liability without Distributions***

Limited partners will be liable to pay taxes on their allocable shares of the Fund's taxable income. However, we do not intend to make significant distributions to the limited partners corresponding to profits, but instead intend to reinvest substantially all of the Fund's income and gains for the foreseeable future. Taxable income can be expected to differ from net profit, primarily because generally only realized gains and losses are considered for income tax purposes but net profit and net loss will include unrealized gains and losses. It is possible that sales of appreciated securities in a

particular period could cause some limited partners to have taxable gain for that period at the same time that unrealized losses result in an overall net loss. It will generally be necessary for limited partners to pay such tax liabilities out of separate Funds or withdrawals from the Fund. There are limitations on a limited partner's right to make withdrawals from the Fund.

### ***Limited Liquidity***

An investment in the Fund is relatively illiquid and is not suitable for an investor who needs liquidity. There is no public market for Interests, and the partnership agreement imposes significant limitations on limited partners' abilities to transfer Interests. In addition, rights to withdraw funds from the Fund are subject to several limitations. A limited partner may withdraw funds only upon the close of business on the last business day of a calendar quarter following the twelfth calendar month after the day in which an Interest is purchased and each calendar quarter-end thereafter, and then only after giving 30 days' notice and subject to certain dollar limitations unless we consent (which we may decline to do, in our sole and absolute discretion) to a deviation from one or more of such procedures or limitations. We have the discretion to deliver amounts withdrawn in securities rather than cash. Further, as to all or a portion of a withdrawn amount, we may establish a segregated portfolio of some of the Fund's securities and liquidate those securities for the withdrawing limited partner's account. In either such case, the securities so delivered or segregated may be relatively illiquid and the limited partner would bear the risk of a decline in their value after the effective time of his or her withdrawal. These facts, taken together, will significantly affect the liquidity of a limited partner's investment in the Fund.

### ***Effect of Substantial Withdrawals***

Substantial withdrawals by limited partners within a short period of time could require the Fund to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the Fund's assets and/or disrupting our investment strategy. Reduction in the size of the Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

### ***Potential Mandatory Withdrawal***

The general partner may, in its sole discretion, require a limited partner to partially or fully withdraw from the Partnership at any time and for any reason or no reason upon at least three days prior written notice which may be given by email or otherwise. Such mandatory withdrawal could result in adverse tax and/or economic consequences to such limited partner.

## **Other Risks**

### ***Limitations on Deductions***

Tax laws in certain cases may limit a limited partner's ability to deduct certain losses and expenditures allocable to such partner.

### ***Foreign Investors***

The Fund may be subject to certain reporting and withholding obligations as to foreign investors. Foreign investors should consult with their own advisors regarding the federal, state, and foreign income tax consequences of an investment in the Fund.

### ***Allocations***

The Fund intends to allocate all items of taxable income, gain, loss, deduction, and credit among the limited partners in a manner that is generally consistent with the economic sharing arrangements. It is currently expected that the Fund will use a method of allocation that complies with one of the “safe harbors” provided in applicable Treasury Regulations. However, we retain discretion to allocate items in a manner that deviates from such safe harbors, and there can be no assurance that the Internal Revenue Service will respect such allocations.

### ***Possibility of Taxation as a Corporation***

We believe that, under current Federal income tax law, the partnership will be taxed as a partnership and not as a corporation. This status has not been confirmed by a ruling from, and such opinion is not binding upon, the IRS. No such ruling has been or will be requested. The facts and authorities relied upon by counsel in their opinion may change in the future, including with respect to regulations which may be promulgated under recent amendments to Federal tax statutes. If the partnership were treated as a corporation for Federal income tax purposes, the income and deductions of the partnership would be reflected only on its own tax return rather than being passed through to the partners, and income would be taxed to the partnership at corporate rates. No losses of the partnership would be allowable as deductions of the partners. In addition, all or a portion of any distributions made by the partnership to the partners, other than liquidating distributions, would constitute dividends to the extent of the partnership’s current or accumulated earnings and profits, and the amount of such distributions would not be deductible by the partnership in computing its taxable income.

### ***Possibility of Tax Audits***

Under the terms of the allocation provisions in the partnership agreement, partners experiencing depreciation in their capital accounts during the fiscal year may be allocated capital loss for Federal income tax purposes even though the partnership realized a net capital gain for the year. Conversely, limited partners experiencing appreciation in their capital accounts during the fiscal year may be allocated capital gain for Federal income tax purposes even though the Fund realized a net capital loss for the year. As a result, the Fund’s method of allocating gain and loss to the partners may enhance the possibility that the Fund’s tax return and individual partners’ returns might be audited by the IRS.

If the Fund’s tax return were to be audited by the IRS, there can be no assurance that adjustments would not be made to the return as a result of such an audit. The Fund audit procedures have been simplified and adjustments may be made at the Fund level that will bind all the partners. A general partner of a partnership is to be designated as the “tax matters partner,” who is to be the Fund’s primary representative with respect to the IRS and will possess the power to extend the statute of limitations for assessment and collection with respect to such audits for all partners. By executing the partnership agreement, the limited partners appoint us to act as the “tax matters partner” of the Fund. If an audit of the Fund’s return results in an adjustment, the limited partners’ returns may be audited. Any expenses incurred in an audit of their individual returns must be borne by the limited partners. Furthermore, interest charged by the IRS on tax deficiencies is substantial and is compounded daily.

### ***Other Possible Tax Law Changes***

No assurance can be given that legislative, administrative, or judicial changes will not occur which will alter, either prospectively or retroactively, the tax considerations or risk factors discussed in this Brochure. Investors should seek, and must rely on, the advice of their own tax advisers with respect to the possible impact on their investment of any future proposed tax legislation or administrative or judicial action.

## **Regulatory Matters**

### ***Investment Company Regulation***

The Fund intends to rely on the provisions of Section 3(c)(1) of the Federal Investment Company Act of 1940 (the “Investment Company Act”) to avoid requirements that it register as an “investment company” under, and comply with the substantive provisions of, the Investment Company Act. In the future, the Fund may also rely on the provisions of Section 3(c)(7) of the Investment Company Act for an exemption from investment company registration requirements. If the Fund were registered as an investment company, the Investment Company Act would require, among other things, that the Fund have a board of directors, some of whom were unrelated to the investment adviser, compel certain custodial arrangements, and regulate the relationship and transactions between the Fund and the investment adviser. Compliance with some of those provisions could possibly reduce certain risks of loss by the Fund or limited partners, although such compliance could significantly increase the Fund’s operating expenses and limit the Fund’s investment and trading activities. Interpretations of Sections 3(c)(1) and 3(c)(7) of the Investment Company Act are complex and uncertain in several respects, and, as a result, there can be no assurance that the Fund will remain entitled to rely on that Section. If the Fund were found not to have been entitled to such reliance, it and the investment adviser could be subject to legal actions by the SEC and others and the Fund could be forced to terminate its business under adverse circumstances.

### ***Recent Developments in the Financial Services Industry***

Recent developments in the U.S. financial markets illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty for the financial services industry. In July of 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) was passed into law, which imposes many new requirements and restrictions on the financial services industry that are likely to affect the business, operations, and performance of hedge funds, such as increased reporting requirements, limitations on certain trading activity, and regulatory oversight by different agencies, such as the newly created Financial Stability Oversight Counsel. The implications of the passage of the Dodd-Frank Act for the hedge fund industry as a whole still remain somewhat unclear as not all regulations related to the Dodd-Frank Act have been promulgated. The hedge fund industry may continue to be adversely affected by the recent developments in the financial markets in the U.S. and abroad, and any future legal, regulatory, or governmental action and developments in such financial markets and the broader U.S. economy could have an adverse effect on the Fund’s business, operations, and performance.

### ***Changes in Margin Requirements***

We expect to take advantage of low margin lending requirements in the commodity futures markets to create highly leveraged positions. Margin requirements are established by the commodity exchanges

where contracts are traded, including the Chicago Mercantile Exchange where we expect to trade primarily in S&P 500 index futures options. The margin requirements set by exchanges are also subject to supervision by the Commodity Futures Trading Commission. If the exchanges or the CFTC were to change its margin requirements, for example to dramatically increase margin deposit sizes and thereby reduce the amount of leverage available to the Fund, the Fund's ability to implement a portion of its trading strategy might be adversely affected.

## **Item 9 – Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no information to disclose here about Red Ivy or any of our investment advisers. We adhere to high ethical standards for all advisors and associates. We strive to do what is in your best interests.

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

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Red Ivy is not registered as a broker-dealer or registered as a representative of a broker-dealer, nor does it have any pending application to register. In addition, Red Ivy and its management persons are not affiliated with any broker-dealer.

The principals of both the General Partner and the Investment Manager are Adam Rowbotham and Gilbert Mendez. Mr. Rowbotham and Mr. Mendez are the sole providers of the investment advisory services to the Fund, and each allocate approximately 200 hours per month to their respective roles facilitating activities of the General Partner.

Mr. Rowbotham and Mr. Mendez do not participate in other business activities or have any outside affiliations at this time.

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

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### **1. General Information**

We have adopted a Code of Ethics for all supervised persons of the firm describing its high standards of business conduct, and fiduciary duty to you, our client. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All of our supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended.



## **2. Participation or Interest in Client Accounts**

We do not participate in client accounts and have no interest in any client's accounts.

## **3. Personal Trading**

We do not participate in client accounts and have no interest in any client's accounts. currently utilize the same Fund investments or Fund investment strategies for our personal accounts; however at some point in the future we may invest alongside investors in the Fund, on the same terms as other Investors.

We have adopted personal trading policies and procedures to prevent conflicts of interest with the Fund's investors, and we have established the following restrictions in order to ensure our fiduciary responsibilities are met:

- No securities for our personal portfolio(s) or the Fund shall be bought or sold where this decision is substantially derived, in whole or in part, from the role of Investment Advisory Representative(s) of Red Ivy, unless the information is also available to the investing public on reasonable inquiry. In no case, shall we put our own interests ahead of the Fund's or our investors.

However, some securities trade in sufficiently broad markets to permit transactions by investors to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with our records as required.

## **4. Privacy Statement**

We are committed to safeguarding our investors' confidential information and hold all personal information provided to us (either by you or by other firms in connection with any of the financial services they provide) in the strictest confidence. We also require other firms with whom we deal with to restrict the use of our investor's information. Our Privacy Policy is available upon request.

## **5. Conflicts of Interest**

We have a duty to disclose potential and actual conflicts of interest, and our employees have a duty to report potential and actual conflicts of interest to management.

Prospective investors should carefully consider the following conflicts of interest before purchasing any Interests in the Fund. The following conflicts of interest do not purport to be a complete or exhaustive explanation of the conflicts involved in this offering. Prospective investors should read the entire investment summary and the exhibits and should ask such questions of, and obtain such additional information from, us as they shall deem necessary before deciding to invest in the Fund.

In evaluating these conflicts of interests, potential investors should be aware that we have a fiduciary responsibility to the Fund and its limited partners to exercise good faith and fairness in all dealings affecting the Fund. In the event that a limited partner believes that the investment has violated its duty to the limited partners, it may seek legal relief for itself, or on behalf of the Fund under applicable laws and regulations to recover damages from or require an accounting from us. Limited partners should be aware that the performance of our responsibilities to the Fund will be measured by the terms of the limited partnership agreement and applicable law. Limited partners should be aware that it may be

difficult to establish that the Fund's trading has been excessive due to the broad trading discretion given to us under the limited partnership agreement, the authority given to the Fund to enter into the limited partnership agreement under the subscription agreement/power of attorney, the exculpatory provisions in the limited partnership agreement, and the announced intention to engage in speculative securities and options trading.

### **Non-Arms-Length Agreements**

All agreements and arrangements, including those relating to compensation, expense reimbursements, and indemnification between the Fund and the general partner are not the result of arms-length negotiations. As general partner, we will determine whether the various affiliates of ourselves and the Fund are, in accordance with the terms of the partnership agreement, entitled to exculpation and indemnification.

### **Incentive Allocation and Fees**

The structure of the incentive allocation may involve a conflict of interest, because it may create an incentive for us to cause the Fund to make riskier or more speculative investments than it otherwise would. In some cases, the incentive allocation together with our fees may be greater than the total fees and other benefits provided by other investment advisers for similar services; in other cases, the benefits to us may be lower. Red Ivy will monitor for this and take appropriate action should this occur.

### **Competition with the Fund from Managed Accounts for Securities Transactions**

Red Ivy is free to manage accounts for investors, investment vehicles, itself, its employees, its principals, and their respective families, and is free to trade on the basis of methods similar or identical to those employed by us in the performance of services for the Fund, or methods which are entirely independent of such methods, although for the present we intend to provide advisory services only to the Fund. Limited partners will not be permitted to inspect the records of accounts or any written policies relating to Red Ivy or its affiliates, except in our discretion.

It is possible that orders for our account for Mr. Rowbotham or Mr. Mendez may be entered in advance of the Fund for legitimate and explainable reasons such as a neutral order allocation system, a different trading program, or a higher risk level of trading. However, any such proprietary trading is subject to our duty to exercise good faith and fairness in all matters affecting limited partners and client accounts, respectively.

### **Conflicts as to Investment Opportunities**

We are obligated to use our best efforts to provide the Fund with continuing and suitable investment opportunities consistent with its investment objectives, policies, and strategies; however, we are not required to present to the Fund any investment opportunity which has come to its attention even if such opportunity is consistent with the investment objectives, policies, and strategies of the Fund. Accordingly, the Fund may not be given the opportunity to participate in certain investments made by us and our affiliates. In addition, if the Fund rejects an investment opportunity for any reason, we and our affiliates may accept it. We will endeavor to resolve conflicts of interest with respect to investment opportunities in a manner deemed equitable to all to the extent possible under the prevailing facts and circumstances and consistent with the general partner's fiduciary duties.

As general partner, we must act in a manner that we consider fair, reasonable, and equitable in allocating investment opportunities to the Fund, but we do not otherwise have any specific obligations or requirements concerning the allocation of time, effort, or investment opportunities to the Fund or any restrictions on the nature or timing of investments for the account of the Fund, for our own account, or for other accounts that we or our affiliates may manage in the future. Our principals, employees, and officers and of the organizations affiliated with us may buy and sell securities for their own account or for the account of others, but may not buy securities from, or sell securities to, the Fund.

The Limited Partnership Agreement and the Investment Management Agreement do not require the General Partner, the Investment Manager, their principals or any of their affiliates, members, managers or officers (including Adam Rowbotham and Gilbert Mendez), to devote all or any specified portion of its or their time to managing the Partnership's affairs, but only to devote so much time to such affairs as it or they reasonably believes is necessary in good faith. The General Partner, the Investment Manager, their principals and their respective members, managers and officers are not prohibited from engaging in any other existing or future business nor are they prohibited from investing on their own behalf or for the accounts of others as long as each of them acts in good faith with respect to the Partnership at all times.

The General Partner, the Investment Manager, their principals and their respective members, managers and officers may determine, in their discretion, to participate in investments with persons not affiliated with the Partnership.

The compensation earned by the General Partner, the Investment Manager, their principals and their respective members, managers and officers, if any, from such other activities may differ from the compensation and other amounts earned by the General Partner and the Investment Manager from the Partnership.

The General Partner, the Investment Manager, their principals and any of their members, managers and officers may manage and render services to other private investment entities and accounts, as a result of which they may need to allocate time, as well as trading opportunities, among the Partnership and such other entities and accounts. Certain of those entities and/or accounts may have trading programs that are substantially similar or identical to the Partnership's trading program. When the Investment Manager determines that a particular trading opportunity would be desirable for the Partnership and any other entities or accounts managed by the Investment Manager or its affiliates, it will seek to allocate such opportunity between the Partnership and such other entities or accounts in a manner that it deems fair and equitable under the circumstances existing at such time. The factors that the Investment Manager may consider in making such determination include (but are not limited to): the relative amounts of capital in each entity and account available for new investments of the type at issue; the Investment Manager's perception of the appropriate risk/reward ratio for each entity and account; the intended trading strategy of each entity and account; the liquidity of each entity and account at the time of investment and thereafter; and the overall portfolio composition of each entity and account.

To the extent legally permissible, orders may be combined for the Partnership and all other entities and accounts managed by the Investment Manager and its affiliates, and if any order is not filled at a single

price, the order may be allocated among such entities and accounts on an average price basis or on another permitted basis.

The Management Fee and the Incentive Allocation are based directly on the net asset value of the Partnership. In most circumstances, the valuations of the Partnership's assets will be based on independent market quotations from relevant counterparties, but obtaining such valuations is not required in each instance. To the extent that the Partnership trades in securities or other financial instruments which are not traded on an organized or liquid market, the valuation of such assets will be determined by the General Partner in its discretion. As a result, there will be a conflict of interest for the General Partner.

## **Item 12 – Brokerage Practices**

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### **1. Soft Dollars**

Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits. Custodians JP Morgan Clearing Corp. and Goldman Sachs via ConvergeX Prime Services may provide us with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act"). These research products and/or services will assist Red Ivy in its investment decision making process. The Fund may pay to a broker-dealer a commission greater than another qualified broker-dealer might charge to effect the same transaction where Red Ivy determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

There may be other benefits from recommending JP Morgan Clearing Corp. such as 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 fees from its investors' accounts; and (v) assist with back-office functions, recordkeeping, and client reporting.;(vi) performance reporting; (vii) contact management systems; (viii) third-party research and publications; (ix) access to educational conferences, roundtables, and webinars; (x) access to consultants and other third-party service providers who provide a wide array of business related services and technology with whom Red Ivy may contract directly.

Soft dollar arrangements generally arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing client securities transactions to the broker. Soft dollar arrangements pose a conflict of interest for an adviser in that such arrangements allow the adviser to pay certain expenses with client commissions that would otherwise be borne by the adviser.

Because soft dollar benefits could be considered to provide a benefit to the adviser that might cause the client to pay more than the lowest available commission without receiving the most benefit, they are considered a conflict of interest in recommending or directing custodial services. Red Ivy mitigates

these conflicts of interest through strong oversight of soft-dollar arrangements by the Chief Compliance Officer, in order to assure the soft dollar benefits serve the best interests of the client.

It is expected that the use by the Investment Manager of commission or “soft” dollars to pay for research products or services will generally fall within the safe harbor for “soft” dollars created by Section 28(e) of the Securities Exchange Act of 1934, as amended. The “soft” dollars generated by the Partnership may be used by the Investment Manager to service accounts other than the Partnership. Generally, where a product or service obtained with commission dollars provides both research and non-research assistance to the Investment Manager, the Investment Manager will make a reasonable

## **2. Business Relationships**

In order to provide the quality of services that the Fund and investors expect, it is necessary for Red Ivy to establish, maintain, and enhance relationships with Fund investors and prospective Fund investors, as well as various professionals in the options investment and management business, such as attorneys, consultants, investment brokers, investment bankers, and other service providers and investment professionals. Establishing meaningful and long-term relationships in these and other areas in the investment industry are critical to Red Ivy in identifying diverse strategies and sourcing investment opportunities for the Fund, as well as efficiently managing Fund assets.

Red Ivy may participate in events to enhance these relationships. The meals, travel, and accommodations for many, but not all, events may be paid by Red Ivy or some third-parties including private airfare and accommodations at upscale locations.

Red Ivy’s subsequent selection and retention of such service providers could be viewed as a form of reimbursement for attending such events. Red Ivy recognizes and acknowledges our fiduciary duty to the Fund. As such, no such events or activities sponsored or received by Red Ivy are permitted to influence our due diligence process in the acquiring, underwriting, financing, managing, leasing, and selling of investments or fulfilling our fiduciary duty to the Fund.

## **3. Best Execution**

We have an obligation to seek best execution for you. In seeking best execution, the determinative factor is not the lowest possible commission 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, reputation and responsiveness. Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for account transactions.

In selecting brokers to effect portfolio transactions for the Partnership, the Investment Manager considers such factors as price, the ability of the brokers to effect the transactions, the brokers’ facilities, reliability and financial responsibility and the provision or payment (or the rebate to the Partnership for payment) of the costs of property or services (e.g., short term custodial services, research services, news and quotation services, publications and other research and brokerage products or services). Accordingly, if the Investment Manager determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services

provided by such broker, the Partnership may pay commissions to such broker in an amount greater than the amount another broker might charge.

#### **4. Brokerage for Client Referrals**

We do not receive any compensation or incentive for referring you to broker-dealers for brokerage trades.

#### **5. Directed Brokerage**

The Investment Manager may also direct brokerage commissions on purchases or sales of securities to broker-dealers who advance the sale of Interests, consistent with best execution.

The General Partner may add additional brokers and custodians and/or replace one or more brokers and custodians from time to time in its discretion without notice to, or the consent of, the Limited Partners.

#### **6. Trading**

The Investment Manager's trading approach may emphasize active management of the Partnership's portfolio. Consequently, the Partnership's portfolio turnover and brokerage commission expenses may from time to time be greater than for other types of investment vehicles.

### **Item 13 – Review of Accounts**

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#### **1. Reviews**

Reviews will be conducted by us on a daily basis for the Fund. Generally, we will monitor for changes and shifts in the economy, changes to the underlying entity management and structure in which client assets are invested, and market shifts and corrections.

#### **2. Reports**

You will be provided with (i) periodic unaudited reports, no less frequently than quarterly, regarding the Partnership's performance; (ii) annual audited financial statements of the Partnership, within 120 days after the end of the Partnership's fiscal year, or as soon thereafter as is practicable; and (iii) annual tax information for the preparation of their respective U.S. federal income tax returns.

These statements will be written or electronic depending upon what you selected when you opened the account. Information necessary to enable Investors to file their federal and state tax returns will be furnished annually after the end of each calendar year.

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

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We do not currently pay inside or outside parties for referring investors to the Fund. We may do so in the future, in which case we will describe the arrangement in an amendment to this Brochure and will comply with all securities laws.

## Item 15 – Custody

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Because of our affiliation with the general partner of the Fund, we are deemed to have custody of the Fund assets. Assets for which we have custody are held only at qualified custodians and in accordance with applicable regulations. These regulations require us to maintain Fund assets with a qualified custodian in a separate account for each fund under the Fund's name. The Fund's securities and other assets are held in the custody of J.P. Morgan Clearing Corp., which is a division of J.P. Morgan Chase & Co. ("JPM"), through which the Partnership may execute trades, borrow securities, clear and settle its securities transactions and maintain custody of its securities. Concept Capital Markets, LLC ("CCM"), an introducing broker that has a correspondent relationship with JPM, provides brokerage services to the Partnership. CCM will also execute transactions for the Partnership. An affiliate of CCM provides the Partnership with middle and back office services along with risk analytics and advisory services. The Investment Manager, at its sole discretion, may add or change prime broker(s) or custodian(s) relationships to attain the Partnership's objectives

Opus Fund Services is the Administrator for the Fund. The Administrator has delegated certain duties under the Administration Agreement to its affiliate, Opus Partnership Services (USA) LLC (the "Sub-Administrator").

The Administrator is responsible for, among other things:

- establishing and maintaining the register of Interests of the Partnership and generally performing all actions related to the issuance and transfer of Interests;
- performing due diligence on prospective investors and ensuring compliance with applicable anti-money laundering laws;
- performing all acts related to the withdrawal and/or subscription for the Interests; and
- performing all other incidental services necessary to its duties under the Administration Agreement.

## Item 16 – Investment Discretion

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We have investment discretion over the Fund's assets, in accordance with the Fund's respective offering documents and the Limited Partnership Agreement. In all cases, however, this discretion is exercised in a manner consistent with stated investment objectives in accordance with the Private Placement Memorandum for the Fund.

The Fund's Limited Partnership Agreement and offering documents generally set forth certain limitations with respect to the management of the Fund and our activities, among others.

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

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As a matter of firm policy and practice, we do not have any authority to and do not vote proxies on behalf of advisory investors. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios. We are authorized to instruct the custodian to forward you copies of all proxies and shareholder communications relating to your account assets. Securities, if any, held in the name of the Fund are not considered to be held on behalf of individual portfolios but are all held in the name of the Fund.

## **Item 18 – Financial Information**

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We are required to provide you with certain financial information or disclosures about our financial condition. There is no financial condition that is reasonably likely to impair Red Ivy's ability to continue to meet its contractual commitments and provide services to our investors.

We do not require prepayment of any advisory fees six or more months in advance. We have never filed for bankruptcy protection.