

Disclosure Brochure

February 5, 2015

Ashbay Capital, LLC

a Registered Investment Adviser

This brochure provides information about the qualifications and business practices of Ashbay Capital, LLC (hereinafter “Ashbay,” the “Firm,” “us,” or “we”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed below. 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. Additional information about the Firm is available on the SEC’s website at www.adviserinfo.sec.gov. Ashbay is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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Item 2. Material Changes

In this Item, Ashbay is required to discuss any material changes that have been made to the brochure since the last annual amendment. The firm has no such material changes to disclose.

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Item 4. Advisory Business

Since January 2014, Ashbay has been in business as a fee-only advisory firm specializing exclusively in providing investment management solutions to individual and institutional investors. Jonathan S. Vyorst is the principal owner of Ashbay. As of the date of January 31, 2015, Ashbay had \$81,563,419 in assets under management; \$80,218,546 of which as managed on a discretionary basis and \$1,344,873 was managed on a non-discretionary basis.

Prior to engaging Ashbay to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Ashbay setting forth the terms and conditions under which Ashbay renders its services (collectively the “*Agreement*”).

While this brochure generally describes the business of Ashbay, certain sections also discuss the activities of its *Supervised Persons*, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Ashbay’s behalf and is subject to the Firm’s supervision or control.

Investment Management Services

Ashbay provides discretionary investment management services to individuals, trusts, foundations, corporations, and profit sharing plans. We use a bottom-up, value-investing approach to investment management, and offer an equity and balanced version of our strategy. We may invest in stocks of all market capitalizations; corporate bonds and preferred stocks; mortgage-backed securities; US Treasury obligations; Master Limited Partnerships (“MLPs”); municipal bonds; and distressed debt.

We invest in undervalued securities at what we believe are significant discounts to the intrinsic value of those securities. We focus on a company’s ability to generate free cash flow; balance sheet strength; earnings and revenue growth; competitive position; and on the integrity of the prospective company’s financial statements, and the skills and reputation of management.

We also invest in special situations. Special situations are companies undergoing a transformational corporate event; that are engaged in a restructuring or turnaround; or that have substantial undervalued or unrecognized assets. Special situations include corporate spin-offs, tender offers, mergers and acquisitions, corporate restructurings, bankruptcy proceedings and distressed financings, and companies working to deleverage their balance sheets.

Clients may impose reasonable restrictions or mandates on the management of their account if, in our sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to our management efforts.

Item 5. Fees and Compensation

Investment Management Fees

Ashbay offers its investment management services for an annual fee based upon a percentage of assets under management. Ashbay charges a 1% annual fee, which is prorated and charged quarterly, in arrears, based upon the average month-end balance of assets under Ashbay's management for the preceding three months.

Fee Discretion

Ashbay, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention, etc.

Additional Fees and Expenses

In addition to the advisory fees paid to Ashbay, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "*Financial Institutions*"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to the Firm's annual fee. Ashbay does not, however, receive any portion of these commissions, fees, and costs.

Fee Debit

Clients generally provide Ashbay with the authority to directly debit their accounts for payment of the Firm's investment advisory fees. The *Financial Institutions* that act as qualified custodian for client accounts have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Ashbay. Alternatively, clients may elect to have Ashbay send them an invoice for direct payment.

Account Additions and Withdrawals

Clients may make additions to and withdrawals from their account at any time, subject to Ashbay's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Ashbay, subject to the usual and customary securities settlement procedures. However, Ashbay designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Ashbay may consult with its clients about the options and implications of transferring securities. Clients are advised that when

transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

Item 6. Performance-Based Fees and Side-by-Side Management

Ashbay does not provide any services for a performance-based fee. Performance-based fees are those based on a share of capital gains or capital appreciation of the assets of a client.

Item 7. Types of Clients

Ashbay provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

Minimum Portfolio Size

As a condition for starting and maintaining an investment management relationship, Ashbay generally imposes a minimum portfolio size of \$1,000,000.

The Firm, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, related accounts, account composition, pre-existing client relationships and account retention. Ashbay may aggregate the portfolios of family members to meet the minimum portfolio size.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Ashbay is a value investor and relies primarily on bottom-up, fundamental analysis. We use various sources of information to discover new investment ideas, including stock screens, financial publications and SEC filings. Once a potential investment is identified, we thoroughly analyze the candidate's 10K, 10Q and proxy statement. We may then contact company management and engage in detailed conversations to better understand the economics of the company and the dynamics of the company's industry. We may also contact the company's competitors, customers and suppliers. We generally use free cash flow and earnings multiples to value investments, and build our own financial models to better understand the cash flow characteristics and earnings potential of the candidate. Once an investment is made, we monitor it continuously, and remain in contact with management on an ongoing basis.

Investment Strategies

Intrinsic Value Equity:

Ashbay makes two main types of investments: long-term investments and special situations.

Long-term investments are generally high-quality common stocks selling for what we believe are significant discounts to the intrinsic value of those securities. We make these investments with the expectation of a three-year holding period, although holding periods vary widely and depend on many factors.

In our view, a company is high quality if it has most of the following characteristics: strong free cash flow; good operating margins; high returns on invested capital; modest or declining leverage; growing revenues and earnings over the course of a business cycle; strong market share; and what we believe to be honest and competent management.

Free cash flow is generally used to evaluate potential investments, because it is harder for companies to “manufacture” cash flow than earnings. Companies with strong free cash flow are also generally able to finance operations internally, and are thus not hostage to the vagaries of the capital markets.

Because of our focus on free cash flow, core portfolio holdings tend to be mature businesses. Periodically, we invest in growth companies, when the valuations are compelling. Most of our growth stories, however, are in fact cyclical businesses that have fallen out of favor during cyclical troughs.

Often, the companies we invest in have modest revenue growth, but use incremental margin improvements to generate higher earnings and cash flow, which is then reinvested back into the company through increased R&D, advertising, acquisitions or share repurchases.

We also invest in special situations. Special situations are companies undergoing a transformational corporate event; that are engaged in a restructuring or turnaround; or that have substantial undervalued or unrecognized assets. Special situations include corporate spin-offs, tender offers, mergers and acquisitions, corporate restructurings, bankruptcy proceedings and distressed financings, and companies working to deleverage their balance sheets. The distinction between a special situation and a long-term investment is not absolute. Most companies experience some sort of corporate event, such as a merger or spin off, at some point in their history. Often, these events prove to be excellent entry points for long-term investors.

Intrinsic Value Balanced:

We offer a balanced version of our equity investment strategy to clients who are more risk adverse and do not wish to be fully invested in common stocks. Balanced portfolios may include corporate bonds and preferred stocks; municipal bonds; mortgage-backed securities and US Treasury obligations.

Risks of Loss

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear potential losses.

Equity and Market Risks

Equities can be volatile. The stock market can move up or down due to factors beyond Ashbay's control. Anyone investing in equities should be aware that prices can move substantially in a short period of time.

As a value investor, Ashbay generally invests in securities that are out of favor in the markets. Ashbay has a multi-year investment horizon, and has little control over how long it will take for a specific investment to succeed. Furthermore, investments Ashbay makes—precisely because they are out of favor—may and often do decline further after purchase.

Value investing attempts to identify companies selling at a discount to their intrinsic value. However, a company's intrinsic value may never be fully realized by the market, or a company that Ashbay judges to be undervalued may actually be appropriately valued, or overvalued. Individual investments may not perform as anticipated.

Distressed Securities

Ashbay may invest client assets in certain distressed securities, the issuers of which are generally in precarious financial positions and are either in or at risk of default or bankruptcy. The performance of these securities rests primarily on the issuer's ability to improve its financial operations through restructuring or other means. Failure to complete a successful turnaround could have a severe and adverse impact on the value and liquidity of the security.

Master Limited Partnerships (MLPs)

Master Limited Partnerships ("MLPs") are collective investment vehicles, the partnership interests of which are publicly traded on national securities exchanges. MLPs invest primarily in companies within the energy sector that engage in qualifying lines of business, such as natural resource production and mineral refinement. MLPs are therefore subject to the underlying volatility of the energy industry and may be adversely affected by changes to supply and demand, regional instability, currency spreads, inflation and interest rate fluctuations, among other such factors. In addition, MLPs operate as pass-through tax entities, meaning that investors are liable for their *pro rata* share of the partnership taxes, regardless of the types of accounts where the interests are held.

Management Through Similarly Managed "Model" Accounts

Ashbay manages certain accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the

Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940. Clients should contact Ashbay if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

Item 9. Disciplinary Information

Ashbay has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

Item 10. Other Financial Industry Activities and Affiliations

Ashbay is not engaged in any other financial industry activities and does not have any affiliations that are otherwise material to the Firm's advisory business.

Item 11. Code of Ethics

Ashbay has adopted a code of ethics in compliance with applicable securities laws ("*Code of Ethics*") that sets forth the standards of conduct expected of its *Supervised Persons*. Ashbay's *Code of Ethics* contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its *Supervised Persons* and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The *Code of Ethics* also requires certain of Ashbay's personnel (called "*Access Persons*") to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, Ashbay *Supervised Persons* are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the Firm's policies and procedures. This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Ashbay to request a copy of its *Code of Ethics*.

Item 12. Brokerage Practices

Ashbay generally recommends that clients utilize the brokerage and clearing services of Schwab Advisor ServicesTM ("*Schwab*") for investment management accounts.

Factors which Ashbay considers in recommending *Schwab* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by *Schwab* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Ashbay's clients comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Ashbay determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Ashbay seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Ashbay periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Ashbay in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution* and the Firm will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Ashbay (as described below). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Ashbay may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless Ashbay decides to purchase or sell the same securities for several clients at approximately the same time. Ashbay may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Ashbay’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Ashbay’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Ashbay determines to aggregate client orders for the purchase or sale of securities, including securities in which Ashbay’s *Supervised Persons* may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Ashbay does not receive any additional compensation or remuneration as a result of the aggregation. In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Ashbay may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Ashbay in its investment decision-making process. Such research generally will be used to service all of the Firm’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Ashbay does not have to produce or pay for the products or services.

Software and Support Provided by Financial Institutions

Ashbay may receive from *Schwab*, without cost to Ashbay, computer software and related systems support, which allow Ashbay to better monitor client accounts maintained at *Schwab*. Ashbay may receive the software and related support without cost because Ashbay renders investment management

services to clients that maintain assets at *Schwab*. The software and support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The software and related systems support may benefit Ashbay, but not its clients directly. In fulfilling its duties to its clients, Ashbay endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Ashbay’s receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Ashbay’s choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support or services.

Additionally, Ashbay may receive the following benefits from *Schwab* through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

Item 13. Review of Accounts

Account Reviews

Ashbay monitors client portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Ashbay and to keep Ashbay informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Account Statements and Reports

Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions* where their assets are custodied. On a quarterly basis or as otherwise requested, clients may also receive written or electronic reports from Ashbay and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with those they receive from Ashbay or an outside service provider.

Item 14. Client Referrals and Other Compensation

Client Referrals

If a client is introduced to Ashbay by either an unaffiliated or an affiliated solicitor, Ashbay may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from Ashbay's investment management fee and does not result in any additional charge to the client. If the client is introduced to Ashbay by an unaffiliated solicitor, the solicitor provides the client with a copy of Ashbay's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Ashbay discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Ashbay's written disclosure brochure at the time of the solicitation.

Other Economic Benefits

In addition, Ashbay is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

Item 15. Custody

Ashbay's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Ashbay through such *Financial Institution* to debit the client's account for the amount of Ashbay's fee and to directly remit that management fee to Ashbay in accordance with applicable custody rules.

The *Financial Institutions* recommended by Ashbay have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Ashbay. In addition, as discussed in Item 13, Ashbay also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Ashbay.

Item 16. Investment Discretion

Ashbay is given the authority to exercise discretion on behalf of clients. Ashbay is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Ashbay is given this authority through a power-of-attorney included in the agreement between Ashbay and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Ashbay takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

Item 17. Voting Client Securities

Ashbay may vote client securities (proxies) on behalf of its clients. When Ashbay accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully-described in Ashbay's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Ashbay's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Ashbay to request information about how Ashbay voted proxies for that client's securities or to get a copy of Ashbay's Proxy Voting Policies and Procedures. A brief summary of Ashbay's Proxy Voting Policies and Procedures is as follows:

- Ashbay will monitor corporate actions, making voting decisions in the best interest of clients and ensuring that proxies are submitted in a timely manner.
- The Firm will generally vote proxies according to Ashbay's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Ashbay devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Ashbay's vote on a particular solicitation but can revoke Ashbay's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Ashbay maintains with persons having an interest in the outcome of certain votes, Ashbay takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

Item 18. Financial Information

Ashbay is not required to disclose any financial information pursuant to this Item due to the following:

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- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

Ashbay Capital, LLC

Prepared by:



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The Adviser's Advisor®