

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

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This brochure provides information about the qualifications and business practices of Balestra Capital, Ltd. (referred to as “Balestra Capital”, the “firm” or “we”). If you have any questions about the contents of this brochure, please contact the firm’s Chief Compliance Officer at (212) 768-9000 or at [compliance@balestracapital.com](mailto:compliance@balestracapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Any reference to Balestra Capital as a “registered investment adviser” or as being “registered” with the SEC does not imply any level of training or skill.

Additional information about Balestra Capital is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by the name of the firm or by a unique identifying number, known as a CRD number. The CRD number for Balestra Capital is 107825.

## **2. SUMMARY OF MATERIAL CHANGES**

We do not believe that there has been any material change to disclose in this brochure since the previous year's brochure.

While it has not been a material portion of our business, we are providing the following update regarding a non-discretionary advisory business, which we had been operating under the trade name "Landseer." Effective January 1, 2015, we no longer maintain a non-discretionary advisory business and all activities formerly conducted by Landseer are now provided by Landseer Advisors LLC, an independent, third party firm that is unaffiliated with our firm or employees. All professionals formerly associated with Landseer are now exclusive employees of, or service providers to, this unaffiliated entity.

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#### 4. ADVISORY BUSINESS

Balestra Capital is an SEC-registered investment adviser with its principal place of business in New York City, New York. The firm was founded, and is wholly owned, by James L. Melcher, its President and Chief Investment Officer. The firm has been in business since 1979, and has been a registered adviser since 1987. Our registration with the SEC does not imply any level of training or skill by our firm or employees or that the SEC has endorsed our respective qualifications to provide investment supervisory services. We primarily provide discretionary investment supervisory services to our clients. As of December 31, 2014, our firm managed approximately \$316 million of client regulatory assets on a discretionary basis.

##### A. PRIVATE INVESTMENT FUNDS:

Balestra Capital primarily provides investment supervisory services to several private investment funds (collectively, the “Balestra Funds”). The Balestra Funds are sponsored by the firm or our affiliate, Balestra Capital Management, LLC (“BCM”).

The Balestra Funds currently include: (i) Balestra Capital Partners, L.P., our flagship global macro-economic hedge fund (the “Flagship Fund”) and (ii) Balestra Spectrum Partners L.L.C., our macro-driven fund of hedge funds (“Balestra Spectrum”). Our Flagship Fund’s primary objective is to achieve capital appreciation through investments based primarily on broad macro-economic themes, but also on social, political, psychological and other factors. Balestra Spectrum’s primary objective is to seek optimum returns to investors, adjusted for risk, by allocating its capital primarily among several managers, including our Flagship Fund, although the fund currently does not have an allocation in our Flagship Fund. Balestra Spectrum’s assets can also be invested directly in any equity or fixed income securities, currencies, commodities, or related derivatives on any of these investments, based primarily on broad macro-economic themes, but also on social, political, psychological and other factors. We manage the Balestra Funds on a discretionary basis in accordance with the terms and conditions of each fund’s offering and organizational documents.

Our advice is tailored to each private investment fund client rather than being tailored to the individual needs of our investors therein. Balestra Capital’s approach to investments for the private funds under its management is based on its view of how specific industry sectors will react to broader economic, political and social trends. While Balestra Capital’s investment recommendations are often concentrated in specific industry sectors, a portion of a private investment fund’s portfolio can be invested in securities of small capitalization companies with high growth potential, irrespective of industry sector.

**THIS FIRM BROCHURE DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES, WHICH CAN BE MADE ONLY BY MEANS OF A PRIVATE PLACEMENT MEMORANDUM OR SIMILAR MATERIAL WHICH CONTAINS A COMPLETE DESCRIPTION OF MATERIAL TERMS AND RISKS.**

### *ADDITIONAL CONSIDERATIONS*

The information contained in this Firm Brochure regarding the Balestra Funds merely summarizes some of the detailed information provided in each of the funds' respective offering and organizational documents. Prospective investors in any of the Balestra Funds should be aware of additional risks and requirements associated with any fund investment. Prospective investors should refer to the appropriate Balestra Fund offering and organizational documentation for important additional information and considerations.

#### **B. DISCRETIONARY SEPERATE ACCOUNT MANAGEMENT:**

Balestra Capital also provides investment supervisory services on a separately managed account basis to institutional clients and high net worth individuals. Investment advice is generally offered on a discretionary basis. Currently, the firm manages a separate account for each of two unaffiliated individual high net worth clients.

Discretionary managed account clients' assets will be invested in a variety of instruments including equity or fixed income securities, currencies, commodities, or related derivatives of any of the foregoing, depending on the individual needs and investment objectives of the particular client. Balestra Capital seeks to achieve a high rate of return to the extent consistent with the respective client's investment objectives and an acceptable level of risk, while seeking to preserve capital and maintain a reasonable cost structure.

In addition to retaining Balestra Capital for discretionary account management, our discretionary managed account clients can also elect to make direct investments of personal capital in the Flagship Fund or Balestra Spectrum.

With respect to our discretionary separate account management services, while we focus on macro-economic analysis, we attempt to understand and adhere to the needs of the particular client. Balestra Capital's approach to investments for the separate client accounts under its management is based on its view of how specific industry sectors will react to broader economic, political and social trends. While Balestra Capital's investment recommendations are often concentrated in specific industry sectors, a portion of the client's portfolio can be invested in securities of small capitalization companies with high growth potential, irrespective of industry sector.

The minimum initial account size for a new managed account is generally \$10,000,000, although our firm has the discretion to manage accounts of a lesser initial size.

#### **5. FEES AND COMPENSATION**

Balestra Capital is engaged in providing investment supervisory services to clients, including private investment funds, institutions and high net worth individuals. Below is a summary of the fees and compensation typically associated with such services.

## A. PRIVATE INVESTMENT FUNDS:

Balestra Capital acts as investment manager to the Flagship Fund and Balestra Spectrum, which are US private investment funds sponsored by the firm or our affiliate, BCM.

### *I. The Flagship Fund:*

The Flagship Fund, a Delaware limited partnership, is a global macro-economic hedge fund for which Balestra Capital serves as investment manager.

Balestra Capital receives a management fee from the Flagship Fund on a quarterly basis, payable in advance by the fund at the beginning of each quarter and deducted from each investor's capital account. For Class A Interests, the quarterly management fee equals 0.375% of the net asset value of the interests, which amounts to 1.5% annually. For Class B Interests, the quarterly management fee equals 0.5% of the net asset value of the interests, which amounts to 2.0% annually. The management fee is pro-rated and refunded to the fund's investors for partial quarters.

BCM, an affiliate of Balestra Capital and the general partner of the Flagship Fund, receives a profit allocation, calculated as of the end of the calendar year, in an amount equal to 20% of realized and unrealized net profits of each limited partner in the Flagship Fund, subject to a loss carry forward provision such that no profit allocation is made unless all prior losses have been first recouped. Mr. James L. Melcher, Balestra Capital's President and CIO, serves as the Manager of BCM.

### *II. Balestra Spectrum:*

Balestra Spectrum, a Delaware limited liability company, is a macro-driven fund of hedge funds for which Balestra Capital serves as investment manager.

Balestra Capital receives a management fee from Balestra Spectrum on a quarterly basis, payable in advance by the fund at the beginning of each quarter and deducted from each investor's capital account. The quarterly management fee equals 0.30% of the net asset value of the fund, which amounts to 1.2% annually.

BCM serves as the managing member of Balestra Spectrum. BCM receives from Balestra Spectrum a profit reallocation, calculated as of the end of the calendar year, in an amount equal to 10% of realized and unrealized net profits in excess of a hurdle rate equal to the total annual return of the 90-day U.S. Treasury note. This performance-based compensation is subject to a loss carry forward provision such that no such compensation is paid or made to BCM unless all prior losses have been first recouped by the fund. We discuss the conflict of interests associated with this form of performance-based compensation (i) further below in this Item under the heading titled "C. Performance-Based Compensation", (ii) in Item 6 below, and (iii) and under the heading titled "Summary of Risks of Balestra Capital's Investment Strategy" in Item 8 below.

In addition to the asset-based fees, performance-based compensation and other direct expenses described further below in this Item under the heading titled “D. Other Fees and Expenses” that investors will bear at the Balestra Spectrum level, investors in our fund of hedge funds portfolio will also indirectly bear similar fees, expenses and performance-based compensation of the investment funds in which Balestra Spectrum invests.

*III. Different Fee Schedules:*

Balestra Capital’s, and BCM’s management fees and performance-based compensation can be discounted or waived with respect to any investor for any particular period of time at the sole discretion of Balestra Capital or BCM, as applicable. This discounted rate or waiver is not available to all or even most investors in the Balestra Funds.

*IV. Side Letters:*

From time to time, a prospective large or strategic investor considering an investment in the Balestra Funds might seek to enter into a side letter with BCM and/or Balestra Capital (in their discretion), pursuant to which such investors would be afforded different rights or terms than those offered to other investors including, without limitation, relating to advisory fees, subscriptions and withdrawals, access to portfolio information and other risk metrics. Currently, there are no such side letters outstanding with respect to the Balestra Funds.

**B. DISCRETIONARY SEPARATE ACCOUNT MANAGEMENT:**

Advisory fees payable to Balestra Capital for legacy separately managed accounts include a management fee ranging from 0% to 1.00% of assets under management and/or an incentive fee ranging from 0% to 10% of the realized and unrealized appreciation in the relevant account’s portfolio. The incentive fees, if any, will be subject to a loss carry forward provision such that no incentive fee is paid unless all prior losses have been first recouped. One legacy account has a hurdle rate instead of a loss carry forward provision. The hurdle rate is a stated rate of return the account must earn before Balestra Capital is entitled to receive any incentive fee.

The fee structure for each separately managed account depends on the nature of the services provided, the amount of assets in the account and the circumstances of the relationship between the underlying managed account client and Balestra Capital. Management fee determinations are based on the market value of the account at the beginning of each quarter (net of liabilities) and are billed and payable quarterly, in advance. Incentive fees, if any, for the discretionary accounts are calculated as of the end of each calendar year and paid shortly thereafter. All fee structures for separately managed accounts are negotiable. Balestra Capital’s investment advisory agreements with clients allow for termination if there is written notice by either the client or Balestra Capital. Adjustments and refunds of advisory fees are pro-rated and made when appropriate in the event of termination.

**C. PERFORMANCE-BASED COMPENSATION:**

With respect to any private investment fund and applicable separately managed discretionary account, all incentive fees and profit reallocations described above are based on the net realized and unrealized gains, income and appreciation of the respective fund's or account's portfolio over a twelve-month period. In general, pursuant to a loss carry forward provision, if the portfolio value depreciates in any such period, no incentive fee or profit reallocation will be earned or made in subsequent periods unless and until the portfolio value is restored to its former level (less the advisory fees previously paid and adjusted for new deposits into and withdrawals from the portfolio). All incentive fees and profit reallocations, if any, will only be charged in compliance with all applicable requirements of Section 205(b) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and Rule 205-3 promulgated by the SEC.

Discretionary clients and private fund investors should be aware that performance-based compensation arrangements create an incentive for an investment adviser to make investments that are riskier or more speculative than would otherwise be the case in the absence of such arrangement and that, under our performance-based compensation arrangements, if earned, we will receive increased compensation with respect to unrealized appreciation as well as actual, realized capital gains. Discretionary clients that are not subject to a performance-based compensation payable to us or our affiliate, BCM, are nevertheless subject to the conflicts described under the heading "Side-by-Side Management" in Item 6 below.

**D. OTHER FEES AND EXPENSES:**

Each Balestra Fund is obligated to pay its ongoing offering fees and expenses. In addition, each Balestra Fund is obligated to pay all of its operating and investment-related fees, costs and expenses. Such fees, costs and expenses include, but are not limited to ongoing: legal and accounting fees and expenses, administration fees and expenses, custodial fees and expenses, audit fees and expenses, offering fees and expenses, investment-related expenses, regulatory expenses, including without limitation, the fees and expenses associated with any regulatory filings involving the Balestra Fund, the costs of quotation equipment and news wires, brokerage commissions, interest charges, borrowing charges and dividends payable with respect to securities sold short, dealer spreads, exchange fees, NFA fees, give-up fees, costs of data processing and research services, taxes, bank service charges, all other ongoing expenses related to the purchase, sale, clearance and holding of securities, and any other operational fees, costs and expenses as are necessary or advisable in connection with conducting the Balestra Fund's business. Moreover, each Balestra Fund is obligated to directly pay its extraordinary fees and expenses, if any. In addition to directly bearing such fees and expenses, the Balestra Spectrum fund of hedge funds will also indirectly bear its allocable share of similar costs through the underlying hedge funds in which it invests. See Item 12 below for additional disclosures regarding our brokerage practices.

Prospective investors in Balestra Spectrum, should note that they will incur at least two layers of advisory fees: (i) the management fee and performance-based compensation of Balestra Capital and BCM, respectively, as described further above in this Item, and (ii) the management fee



and/or a performance-based compensation charged by the underlying hedge funds in which the Balestra Spectrum fund of hedge funds invests. This layering of fees is incorporated in the net income or loss of the Balestra Spectrum fund of hedge funds, is not readily apparent to investors, and will lower investors' overall return.

Money market mutual funds can be used to 'sweep' unused cash balances until they can be appropriately invested. Discretionary clients and private fund investors should recognize that all fees paid to Balestra Capital and its affiliate, BCM, for investment supervisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. These fees and expenses are described in each such mutual fund's or ETF's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee for mutual funds.

Prospective investors should refer to the appropriate offering and organizational documents for additional important information, terms, conditions and risks involved with investing in the Balestra Funds.

Each discretionary account client will directly bear all of account operating and investment-related fees, costs and expenses as previously agreed to with our firm. Such fees, costs and expenses include, but are not limited to ongoing: legal and accounting fees and expenses, administration fees and expenses, custodial fees and expenses, audit fees and expenses, investment-related expenses, regulatory expenses, including without limitation, the fees and expenses associated with any regulatory filings involving the account, the costs of quotation equipment and news wires, brokerage commissions, interest charges, borrowing charges and dividends payable with respect to securities sold short, dealer spreads, exchange fees, NFA fees, give-up fees, costs of data processing and research services, taxes, bank service charges, all other ongoing expenses related to the purchase, sale, clearance and holding of securities, and any other operational fees, costs and expenses as are necessary or advisable in connection with conducting the account's business. In addition to directly bearing such fees and expenses, to the extent any portion of an account's capital is allocated among third-party investment managers, such account will also indirectly bear its allocable share of similar costs imposed by such managers.

## **6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As we disclosed in Item 5 of this Firm Brochure, our firm or affiliate, BCM, accepts performance-based compensation from the Balestra Funds. The performance-based compensation is calculated based on a share of capital gains and realized and unrealized appreciation of the assets of the relevant fund. To qualify for this type of fee schedule, an investor must either demonstrate a net worth of at least \$2,000,000 (excluding primary residence assets and related debt) or must have at least \$1,000,000 under our management.

Existing and prospective fund investors and discretionary account clients should note that performance-based compensation arrangements create an incentive for Balestra Capital to

recommend investments which are riskier or more speculative than those which would be recommended under a different fee arrangement. Also, because the performance-based compensation is calculated on a basis which includes unrealized as well as realized appreciation of assets, such compensation could be greater than if it were based solely on realized gains.

Performance-based compensation, if any, will only be charged in accordance with the Advisers Act and provisions of Rule 205-3 promulgated thereunder.

#### *Side-by-Side Management*

Side-by-side management refers to multiple client relationships arising from an adviser managing more than one advisory client relationship or portfolio on a simultaneous basis. In such circumstances, potential conflicts of interests can arise for the adviser as a result of the various client portfolios having varying performance-based compensation arrangements.

At this time, we offer advisory services to clients with varying rates of management fees and performance-based compensation. For the separately managed discretionary accounts, client fee schedules include either a management fee or a performance-based fee or both, which can be lower than the fees applicable to the Balestra Funds. Therefore, one might view us as having an incentive to favor the higher performance-based compensation Balestra Funds over lower or non-performance-based compensation accounts. Moreover, in theory, we could also have an incentive to favor a Balestra Fund paying higher aggregate performance-based compensation to a Balestra Fund in which officers and employees of the firm or their family members have more of their personal assets invested.

As part of our fiduciary duty as a registered investment adviser, we take the following steps to address these conflicts with respect to each of our clients:

1. We seek to make recommendations based solely on serving each client's best interests;
2. We manage account and client portfolios on an account-by-account and client-by-client basis and we believe that the potential conflicts in allocating investment opportunities among our clients are further mitigated given the varying investment mandates of our clients;
3. We educate our employees regarding our responsibilities as a fiduciary, including the equitable treatment of all clients, regardless of their fee arrangement;
4. We collect, maintain and document accurate, complete and relevant investor background information to ensure that investment in the subscribed fund is appropriate for our investor's financial goals, objectives and risk tolerance and that the investor is qualified to invest;
5. We monitor portfolio activity and personal trading for the firm's principal and employees; and

6. We disclose to our investors and clients the existence of material conflicts of interests, including the potential for our firm and employees to earn more compensation from some clients than others.

## **7. TYPES OF CLIENTS**

Balestra Capital currently provides discretionary investment advice to the Flagship Fund and Balestra Spectrum, each a private investment fund sponsored by Balestra Capital or its affiliate, BCM, as further described in Item 4 above. Prospective investors should refer to the appropriate Balestra Fund offering documents for additional important qualifications requirements for investment.

In addition, Balestra Capital also provides discretionary investment supervisory services on a separately managed account basis. The minimum initial account size for a new separate account is generally \$10,000,000, although our firm reserves the discretion to manage or advise accounts of a lesser initial size.

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

### **Methods of Analysis**

#### **A. BALESTRA CAPITAL'S FLAGSHIP FUND**

The investment objective of our Flagship Fund is to achieve capital appreciation through investments based primarily on broad "macro-economic" themes, as well as on social, political, psychological, and other such factors. Investment themes will be implemented through selective purchases or short sales of instruments across the entire spectrum of derivatives and investment securities, including but not limited to, exchange-traded funds, options, physical commodities, such as gold, commodity futures, currencies, swaps (such as interest rate and credit default swaps) and other investment contracts, as well as traditional equities and debt instruments.

Although the fund has the ability to utilize leverage (by borrowing money to increase position sizes and enhance returns) in pursuing its investment objective, to date it has not, and does not anticipate doing so in the immediate future. Nevertheless, several of the instruments in which we trade for our Flagship Fund, such as options, futures and swaps as well as holding short securities positions contain embedded leverage. Although current income is not a primary objective of the fund's investment strategy, we consider it as a factor in attempting to achieve a desirable total return on investments.

Our approach begins with the formation of an independent view of economic fundamentals around the globe and comparing that view with asset pricing around the globe. Our research process is driven by the review and analysis of economic, demographic, political and market data and pricing of governments, consumers and corporations throughout the world. We seek to

identify underlying global macro-economic fundamentals and stay informed with respect to global markets and the major asset classes within those markets. We then narrow our focus to large-scale dislocations between market prices and their underlying fundamentals in order to identify a group of investable “themes”. As a result of this methodology, our Flagship Fund frequently holds positions that are contrary to investor consensus. Our selection of specific securities within industry sectors is based on several factors, including fundamental and technical analysis, earnings and earnings growth expectations.

Our description of the fund’s investment methodology and investment strategy is not intended to be exhaustive. Because the fund employs investment techniques that entail a high degree of risk, we caution existing and prospective private fund investors to regard an investment in the fund as highly speculative and that an investment in the fund is intended only for sophisticated investors who are able to bear the risk of entire loss of their investment. Some of the primary risks of our investment strategy are outlined under the heading titled “Summary of Risks of Balestra Capital’s Investment Strategy” further below in this Item 8 and described in more detail in our Flagship Fund’s private placement memorandum.

*As with any investment, we cannot provide any assurance that the investment strategy we utilize for the Flagship Fund will result in any profits or avoid losses or that an investor will not lose a portion or all of its investment.*

## B. BALESTRA SPECTRUM

The investment objective of the Balestra Spectrum fund of funds is to seek optimum returns to investors, adjusted for risk. In pursuing this investment objective, the assets of Balestra Spectrum will be invested primarily in underlying hedge funds managed by third party portfolio managers. Balestra Spectrum can also invest a portion of its assets in our Flagship Fund, although it currently does not. In part to manage any perceived conflict from such investment, if made, we would not charge any fees on Balestra Spectrum’s capital investment at the Flagship Fund level.

In addition to investments in underlying hedge funds, Balestra Spectrum can invest a portion of its assets directly in the types of investments and securities described under the heading titled “A. Balestra Capital’s Flagship Fund” immediately above in this Item 8, using the same investment methodology and strategy.

We select underlying hedge funds or other investment vehicles that conform to and facilitate Balestra Spectrum’s strategy based on several factors. These factors include:

- the specific investment strategy of the underlying portfolio manager;
- the industry sector or asset class in which the portfolio manager focuses;
- the positive (long) or negative (short) orientation of the underlying manager’s portfolio; and
- the perceived investment acumen of the portfolio manager.

Although Balestra Spectrum has the ability to utilize leverage (by borrowing money to increase position sizes and enhance returns) in pursuing its investment objective, to date it has not, and does not anticipate doing so in the immediate future. Nevertheless, the underlying portfolio managers with whom Balestra Spectrum invests have the discretion to utilize leverage to enhance returns. Moreover, several of the instruments in which we trade directly for Balestra Spectrum, such as options, futures and swaps as well as holding short securities positions contain embedded leverage.

We conduct due diligence with respect to the underlying portfolio manager of any prospective hedge fund prior to investment. We also monitor any selected portfolio manager on an on-going basis to determine and evaluate:

- the portfolio management team's background, experience and philosophy;
- the process by which the underlying manager makes investment decisions;
- how the underlying manager implements its decisions;
- the apparent integrity of the individual(s) managing the underlying portfolio(s);
- the manager's investment track record in both up and down markets;
- the manager's risk management controls, parameters and evaluation process; and
- the adequacy and effectiveness of the manager's operational controls and infrastructure.

Our decision whether or not to invest in (or increase an existing allocation to) or redeem from (or reduce an existing allocation to) an underlying manager depends on Balestra Spectrum's overall assessment of the findings with respect to the factors above. These assessments tend to have significant qualitative components, rather than following a simple formulaic decision process, and vary over time in relation to changes to the factors above relating to the underlying manager. Nevertheless, we generally seek to avoid investing in any underlying hedge fund where we reasonably determine that its portfolio manager has failed to adopt certain minimal operational and risk controls and safeguards.

Our description of Balestra Spectrum's investment methodology and investment strategy is not intended to be exhaustive. Because Balestra Spectrum and the underlying hedge funds in which it invests employ investment techniques that entail a high degree of risk, we caution existing and prospective private fund investors to regard an investment in Balestra Spectrum as highly speculative and that an investment in Balestra Spectrum is intended only for sophisticated investors who are able to bear the risk of entire loss of their investment. Some of the primary risks of Balestra Spectrum's investment strategy are outlined under the heading titled "Summary of Risks of Balestra Spectrum's Investment Strategy" further below in this Item 8 and described in more detail in Balestra Spectrum's private placement memorandum.

*As with any investment, we cannot provide any assurance that the investment strategy we utilize for Balestra Spectrum will result in any profits or avoid losses or that an investor will not lose a portion or all of its investment.*

### C. DISCRETIONARY MANAGED ACCOUNTS

Discretionary managed account clients' assets are invested in a variety of instruments, including equity or fixed income securities, currencies, commodities, or related derivatives of any of these investments, depending on the individual needs and investment objectives of the particular client. Balestra Capital seeks to achieve a high rate of return to the extent consistent with the respective client's investment objectives and an acceptable level of risk, while seeking to preserve capital and maintain a reasonable cost structure.

When making investment decisions for discretionary managed accounts, we utilize substantially similar methods of analysis as those described above under the heading titled "A. Balestra Capital's Flagship Fund" in this Item 8. Moreover, to the extent we allocate a portion of an account's assets to underlying managers, we utilize substantially similar methods of analysis as those described above under the heading titled "B. Balestra Spectrum" in this Item 8.

In addition to retaining Balestra Capital for discretionary account management, our discretionary managed account clients can also elect to make direct investments of personal capital in the Flagship Fund or Balestra Spectrum.

#### **Summary of Risks of Balestra Capital's Investment Strategy**

The investments strategies that Balestra Capital uses for the Balestra Funds involve certain risks and conflicts of interests. The risks and conflicts of interests are set forth in detail in the confidential private placement memorandum of each Balestra Fund. The discretionary managed accounts that Balestra Capital manages similarly share these risks and conflicts. Such risks and conflicts include, but are not limited to, the following:

- The investments of the Balestra Funds and discretionary accounts are subject to general volatility and swings of the markets in which they operate;
- The Balestra Funds and discretionary accounts are dependent on the services of our firm's President and Chief Investment Officer and will be adversely affected if he were unable to act on our behalf for any reason;
- The profitability of the Balestra Funds and discretionary accounts are highly dependent on our ability to develop correct views and forecasts regarding macro-economic themes and will be adversely affected if we are not successful in doing so;
- Balestra Capital's trading activity on behalf of the Balestra Funds and discretionary accounts are made on the basis of short-term market considerations and involve significant turnover rates, which could result in greater brokerage expenses and lower net-of-fee returns;
- The Balestra Funds and discretionary accounts are not diversified, as diversification is not a primary consideration in the investment strategies utilized by Balestra Capital in managing the Balestra Funds and discretionary accounts;



- The prices of certain securities in which the Balestra Funds and discretionary accounts invest are sensitive to interest rate fluctuations, and unexpected interest rate fluctuations could cause the prices of long and short positions to move in unanticipated directions;
- The Balestra Funds and discretionary accounts engage in equities trading, and take long or short positions in a wide range of equity securities. Equity securities can be subject to substantial volatility, and in the case of short positions, can involve the risk of unlimited loss;
- The Balestra Funds and discretionary accounts utilize hedging techniques in an attempt to minimize the risk of loss in various portfolio positions. However, hedging techniques are not guaranteed to be successful and can be costly, which could result in lower returns for the Balestra Funds and discretionary accounts;
- Certain investments are inherently leveraged, such as futures, options and swaps. In addition, the Balestra Funds and discretionary accounts use short-term margin borrowings. Declines in value could result in margin calls, and in certain circumstances, the Balestra Funds and discretionary accounts will not be able to exit positions quickly enough to pay down margin debt which could have adverse effects on returns;
- The Balestra Funds and discretionary accounts engage in futures trading, which can be or become illiquid and subject to suspension of trading by regulatory authorities;
- Futures trading is highly leveraged, and small movements in price can result in immediate and substantial losses to investors in the Balestra Funds and discretionary account clients;
- The Balestra Funds and discretionary accounts enter into over-the-counter transactions with various counterparties, and utilize various institutions in connection with trading activities, each of which subjects the Balestra Funds and discretionary accounts to counterparty risk;
- The Balestra Funds and discretionary accounts engage in options trading, which in certain circumstances could subject the Balestra Funds and discretionary accounts to potentially unlimited losses, and are subject to greater volatility than an investment in the underlying security to which any such option relates;
- The Balestra Funds and discretionary accounts enter into swap transactions, including credit default swaps, which involve counterparty risk and can become difficult to value in various circumstances;
- The Balestra Funds and discretionary accounts can incur losses resulting from the bankruptcy of third parties which hold the funds' or accounts' assets;
- The Balestra Funds' and discretionary accounts' investments are subject to regulatory risks, including government intervention and regulation, as well as sovereign default; and

- Balestra Capital or its affiliate (BCM), as applicable, receives compensation based on the performance of the Balestra Funds and discretionary accounts, which creates an incentive for Balestra Capital to cause the Balestra Funds or discretionary accounts to make investments that are more speculative or subject to a greater loss than would be if no such performance-based compensation existed.

### **Summary of Risks of Balestra Spectrum's Investment Strategy**

The Balestra Spectrum fund of hedge funds is subject to certain additional risks and conflicts in addition to those described immediately above. To the extent the discretionary accounts allocate a portion of their assets to Balestra Spectrum or one or more third-party investment managers, they are similarly subject to such additional risks and conflicts. These risks and conflicts include, without limitation, the following:

- Balestra Spectrum depends primarily on the performance of third-party managers and as such, its success depends on the ability of each of the third-party managers to develop and implement profitable investment strategies;
- The positive performance of one underlying manager in Balestra Spectrum can be neutralized by the poor performance of other managers. In addition, it is possible that Balestra Spectrum pays incentive compensation to underlying fund managers during periods when the multi-manager fund of funds as a whole incurs losses;
- Underlying portfolio managers can take certain actions, such as taking undesirable tax positions or using excessive leverage, which can negatively impact portfolio assets or returns;
- The underlying hedge funds in which Balestra Spectrum invests are dependent upon the knowledge and experience of the principals of the managers of such hedge funds, and the loss of the services of such individuals could have an adverse effect on the performance of the underlying funds and, consequently, Balestra Spectrum;
- Balestra Spectrum is subject to the risk that a portfolio manager or a portfolio fund in which Balestra Spectrum invests could commit fraud, fail to follow the disclosed investment strategy, provide false reports of operations or engage in other misconduct;
- We do not control the underlying manager's daily business and compliance operations and, therefore, it is possible for us to miss the absence of internal controls necessary to prevent fraud or other business, regulatory or reputational deficiencies; and
- Investors in Balestra Spectrum bear multiple levels of fees and expenses, including asset-based and performance-based compensation to the managers of the underlying funds as well as asset-based and performance-based compensation to Balestra Capital and its affiliate.



## **9. DISCIPLINARY INFORMATION**

Our firm and its partners have no reportable disciplinary, regulatory or legal events to disclose.

## **10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Balestra Capital provides investment supervisory services to pooled investment vehicles (hedge fund and funds of funds) and separately managed accounts. Balestra Capital is registered as a commodity pool operator (“CPO”) with the U.S. Commodity Futures Trading Commission (the “CFTC”) and a member of the National Futures Association (“NFA”) in such capacity. In connection with acting as a CPO for Balestra Capital’s commodity pools, Balestra Capital relies on an exemption under CFTC Rule 4.7 from certain reporting and disclosure requirements with respect to the Balestra Funds. Such registration and membership does not imply that the CFTC or the NFA has endorsed Balestra Capital’s qualifications to provide investment supervisory services.

BCM, an affiliate of Balestra Capital which is commonly owned and controlled by the owner of Balestra Capital, serves as general partner and managing member of the Flagship Fund and Balestra Spectrum, respectively, and has delegated its duties and responsibilities in connection with its status as a CPO with respect to these Balestra Funds to Balestra Capital.

Mr. James L. Melcher is the principal of BCM which is the general partner of the Flagship Fund and the managing member of Balestra Spectrum. Mr. Melcher is also the member and manager of JLMCo LLC, which is a member of BCM.

Although Balestra Capital and BCM conduct business as a commodity trading advisor (“CTA”), these entities rely on an exemption from registration with the CFTC as a CTA pursuant to Section 4m(1) of the U.S. Commodity Exchange Act, as amended, and CFTC Reg. 4.14(a)(10).

Mr. Melcher is the Chairman and a significant shareholder of mBLAST, Inc. mBLAST is a private interactive online technology company that offers enhanced communications, operations and database functions via various modules accessed through mBLAST. Mr. Melcher is not separately compensated for serving as Chairman of mBLAST.

Balestra Capital professionals devote substantially all their efforts and time to the activities of Balestra Capital, the Balestra Funds and other discretionary clients. If involved in any outside activities or non-firm affiliations, the individuals might receive separate and distinct compensation in their capacities as members, owners, officers or board members.

Outside activities of Balestra Capital professionals include either passive investments with no active participation in the business of the underlying investee companies (including firms in the financial industry) or serving on advisory boards or directorships in financial and non-financial industry businesses. Any such activities or relationships are not material to Balestra Capital’s business or clients. As a result, material potential or actual conflicts of interests are not present

for these individuals except to the extent they spend a small portion of their time and efforts in these activities.

Generally, Balestra Capital and BCM officers and investment professionals are required to devote to the firm and our clients only so much of their time as they deem necessary or appropriate in connection with carrying out their respective firm business, investment, or advisory activities.

## **11. CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS & PERSONAL TRADING**

Our firm has adopted a Code of Ethics which sets forth ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics provides for oversight, enforcement and recordkeeping. Further, our Code of Ethics includes the firm's insider trading policy which prohibits the misuse of material nonpublic information, *i.e.*, inside information.

Our Code of Ethics includes policies and procedures that require each employee to submit an initial and an annual securities holdings report, which is reviewed for actual or potential conflicts of interests. In addition, we receive duplicate confirmations and account statements directly from each employee's broker with whom a personal account is maintained. Each employee must also obtain pre-clearance before trading a reportable security to ensure that such trade does not conflict with Balestra Capital's fiduciary duty to its clients. In addition, our Code of Ethics also requires prior approval for any acquisition of securities in a limited offering (*e.g.*, private placement) or an initial public offering. From time to time, subject to our policies on personal trading as described immediately above, our employees might trade in the same security as our clients, albeit in significantly smaller amounts. This trading creates a conflict of interest, but we nevertheless manage the trading process to reduce or eliminate any potential impact of a related person's trading on our clients' portfolios.

A copy of our Code of Ethics is available to our existing and prospective clients, as well as existing and prospective investors in the Balestra Funds, upon request, by contacting Balestra Capital at its principal office address.

Although Balestra Spectrum's assets will be invested primarily in private investment funds or accounts managed by third-party investment managers, Balestra Spectrum can invest a portion of its assets in the Flagship Fund, although no such investment is currently made. The investment of a portion of Balestra Spectrum's assets in the Flagship Fund, if made, would present certain inherent potential conflicts of interests. In order to mitigate such conflicts, if assets of Balestra Spectrum are invested in the Flagship Fund, they will not be charged any management fees nor be subject to any net profits allocation to which an investment in the Flagship Fund would otherwise be subject.

Certain executive officers and/or other employees of Balestra Capital have invested or can invest

a portion of their personal net worth in one or more Balestra Funds. It is our fiduciary duty and firm policy that no person employed by us is permitted to usurp an investment opportunity which might be appropriate for one or more of the Balestra Funds or separately managed account clients without prior review and approval, particularly when there is limited availability for participation in the opportunity.

As the situations described above represent potential conflicts of interests, we have established the following restrictions and policies in light of our fiduciary responsibilities:

1. Our policies require that no officer or employee of our firm is permitted to prefer his or her own interest to that of an advisory client.
2. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing our investment advisory practices.
3. We maintain records of securities holdings and transactions for our firm and our employees and we compare them.
4. We disclose actual and potential conflicts of interests to our clients.
5. Employees must provide an annual attestation with respect to the conflicts to which they are subject.
6. Any individual not in observance of our policies and restrictions will be subject to disciplinary action up to and including termination of employment.

The Advisers Act makes it unlawful for any investment adviser, directly or indirectly, acting as principal for its own account, to knowingly sell any security to, or purchase any security from, a client without disclosing to the client in writing the capacity in which the adviser is acting and obtaining the client's consent to the transaction. This rule might apply to certain transactions involving accounts in which investment advisers have interests, such as private fund investments by the firm's owners, principals, or employees. The SEC has indicated that when an investment adviser and/or its controlling persons own more than 25% of a private fund's outstanding securities, it would be effectively treated as a principal transaction if such an account were to engage in a trade with another client account or private fund.

Balestra Capital has adopted procedures for monitoring the level of proprietary ownership in each private fund it manages in order to obtain the requisite consent before engaging in any transaction that would be considered a principal transaction under applicable SEC interpretations.

## **12. BROKERAGE PRACTICES**

### **Selection of Brokers**

Brokers are selected on the basis of several factors including commission rate, the nature of the securities being traded, the execution, clearance and settlement capabilities of the particular broker and the research services provided.

Balestra Capital generally attempts to effect securities transactions for the Balestra Funds and discretionary accounts in the over-the-counter market through one or more market makers in the security. However, on occasion, we effect transactions through a broker that does not make a market in the security to be bought or sold. In such cases, the accounts for which transactions are effected will be required to pay a higher total transaction cost to the client than would be the case if the transaction was effected directly through a market maker. This would depend upon the difference of the market maker's markup for wholesale and retail clients and the brokerage commission. We use brokers rather than market makers for various reasons including maintaining anonymity, broker services in locating investments and negotiating pricing, among other reasons.

### **Aggregation of Transactions**

Balestra Capital will aggregate orders of the Balestra Funds and discretionary client accounts for trade execution and thereafter allocate the securities on an average price basis among such fund and account portfolios if the underlying clients seek to purchase the same security at the same time. Brokerage commission rates will not necessarily be reduced as a result of such aggregation. In some instances, average pricing will result in higher or lower execution prices than otherwise obtainable by a single client. We believe that aggregation is consistent with our duty to seek best execution for all clients.

### **Allocation of Brokerage**

Portfolio transactions for the Balestra Funds and discretionary accounts will be allocated by Balestra Capital to brokers on the basis of favorable price and execution and the provision of research services, which are generally of benefit to the Balestra Funds and discretionary account clients. Not all such brokerage-related services which are paid for with commission dollars of any one Balestra Fund or discretionary account will necessarily be of direct benefit to such Balestra Fund or account client.

### **Research and Soft Dollar Services**

Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a "safe harbor" to investment advisers who use commission dollars of their advised accounts to obtain investment brokerage and research services which provide lawful and appropriate assistance to the investment adviser in the performance of its investment decision-making responsibilities.

In selecting brokers and dealers to execute particular transactions, Balestra Capital considers “brokerage and research” services and other information, services, or products provided by brokers and dealers. Research includes, among other things, proprietary research from brokers, which can be written, oral or on-line, and research provided by independent providers. Research products include, among other things, computer databases used to access research. Research services include, among other things, research concerning market, economic and financial data, statistical information, data on pricing and availability of securities, financial publications, electronic market quotations, performance measurement services, analyses concerning specific securities, companies or sectors, and market, economic and financial studies and forecasts. Research services can be in written or oral form or on-line. All products and services received by Balestra Capital from brokers and dealers are within the “safe harbor” provided under Section 28(e) of the Securities Exchange Act of 1934, as amended.

During the prior fiscal year, the following products and services were obtained by us with client brokerage commissions: Bloomberg services, research provided by independent providers, and quotation services.

Research services received from brokers can be used by Balestra Capital in servicing all of its clients and accounts and not all such services which are paid for with commission dollars of any Balestra Fund or discretionary account client will necessarily be used for the exclusive benefit of such fund or account client. Similarly, one or more Balestra Funds or discretionary account clients can benefit from the research services received from brokers retained by Balestra Capital for its other Balestra Funds and account clients.

Balestra Capital’s use of client brokerage commissions to obtain research or other products or services, including those within the Section 28(e) safe harbor described above, provides a financial benefit to our firm because we do not otherwise have to produce or pay for the research, products or services that we receive from our brokers. As a result, although pursuant to the governing offering and constitutional documents of the Balestra Funds and discretionary account clients, each such client is responsible for its own research costs, we might be viewed as having a conflicting incentive to select a broker-dealer based on our perceived interest in receiving the research or other products or services, rather than our clients’ interest in receiving best execution. Moreover, the use of soft dollars can cause our clients to pay higher commissions than they otherwise might through other brokers.

### **13. REVIEW OF ACCOUNTS**

#### **Account Reviews**

Mr. James L. Melcher, Balestra Capital’s President and CIO, is a senior member of the investment team for the Flagship Fund.

Balestra Spectrum’s Investment Committee consists of Mr. Robert Chambers, Balestra Spectrum’s Portfolio Manager, and Mr. James L. Melcher, Balestra Capital’s President and CIO.

Mr. Melcher for the Flagship Fund, or the Investment Committee for Balestra Spectrum reviews, on at least a quarterly basis, the most significant holdings of the discretionary portfolios under management. These holdings are monitored in light of trading activity, significant market developments and other activities which can warrant a change in portfolio positions. If a decision is made to purchase a security or sell a particular holding, the relevant portfolios are reviewed prior to such purchase or sale. In addition, discretionary managed accounts are either reviewed periodically from the standpoint of specific investment objectives of the client or as particular situations warrant. There is no maximum number of accounts which can be assigned to a reviewer.

More frequent meetings can be arranged at either the client's or Balestra Capital's request.

### **Client Reports**

Investors in the Balestra Funds receive unaudited reports on the performance of their investment on a monthly basis, and completed annual K-1 tax statements (or equivalent). Investors also receive annual audited financial statements prepared by the private investment funds' respective independent public accounting firm.

Clients with discretionary managed account relationships receive confirmations of each transaction effected for their account and at least quarterly statements directly from the account custodian showing the client's securities, cash positions and all trading activity for the period. In addition, Balestra Capital separately prepares and provides discretionary managed account clients, at a minimum, with quarterly informational statements and an annual statement which includes a summary of account performance.

Clients with discretionary account relationships with Balestra Capital should carefully review each statement. To ensure that all account transactions, holdings and values are correct and current, we urge clients to compare the informational statements we prepare internally with the official statements they receive directly from their independent brokerage or bank qualified custodian.

## **14. CLIENT REFERRALS AND OTHER COMPENSATION**

From time to time, the firm utilizes several placement agents to assist it with raising capital for the Balestra Funds. In connection with their services, such placement agents receive a percentage of the management fees, incentive fees and/or performance reallocations received by Balestra Capital or its affiliates. The fees payable by Balestra Capital's private fund investors are not otherwise increased as a result of any referral arrangements. The terms of all existing referral arrangements are properly documented and retained by Balestra Capital. In the event third-party solicitors are paid for client referrals, Balestra Capital will comply with Rule 206(4)-3 and related disclosures and recordkeeping requirements.



## 15. CUSTODY

Because we act as investment adviser to the Balestra Funds and because we have an affiliated party who acts as general partner and managing member to the US-domiciled Balestra Funds, we are deemed to have custody of client assets under current applicable regulatory interpretations. As an adviser with custody, we have each of the Balestra Funds audited on an annual basis by an independent public accountant that is both registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (PCAOB). For Balestra Capital's Flagship Fund, we seek to send the audited financial statements to each investor within 120 days of the fund's fiscal year end. For Balestra Spectrum fund of hedge funds, we seek to send the audited financial statements to each investor within 180 days of the fund's fiscal year end.

Neither Balestra Capital nor BCM has direct access to client funds. Each of the Balestra Funds are administered by a third party administrator and maintained with an independent custodian. Similarly, the assets of all discretionary managed accounts are maintained with an independent custodian. The Balestra Funds' administrator calculates the relevant management fee or performance-based compensation payable, if any, to Balestra Capital or BCM and sends a letter of authorization to the respective fund's custodian, while Balestra Capital or its affiliate separately submits its own letter of authorization to the custodian. Upon the fund custodian's receipt of both letters of authorization, the custodian then debits each fund's account with respect to the relevant management fee or performance-based compensation.

With respect to the discretionary managed accounts, Balestra Capital calculates the fee and submits its calculation to the underlying account client for review and approval. Once the fee is approved by the relevant managed account client, the fee calculation is submitted to the custodian who will debit the applicable managed account.

Clients with discretionary managed account relationships receive confirmations of each transaction effected for their account and at least quarterly statements directly from the account custodian showing the account's securities, cash positions and all trading activity for the period. In addition, Balestra Capital separately prepares and provides discretionary managed account clients, at a minimum, with quarterly informational statements and an annual statement which includes a summary of account performance.

Clients with discretionary account relationships with Balestra Capital should carefully review each statement. To ensure that all account transactions, holdings and values are correct and current, we urge our discretionary clients to compare the informational statements we prepare internally with the official statements clients receive directly from their independent brokerage or bank qualified custodian.

## 16. INVESTMENT DISCRETION

As investment manager to the Balestra Funds and discretionary managed account clients, Balestra Capital is granted the discretionary authority in the relevant organizational documents

and/or investment management agreements to determine which securities and amounts of securities to be bought or sold and the broker-dealers to be used to effect investment transactions.

In consultation with discretionary managed account clients, limitations can be set on Balestra Capital's authority to determine the securities to be bought or sold and the amount of such securities by limiting total amount of money to be invested, the amount to be invested in any one security and the general level of risk that is acceptable to the client.

## **17. VOTING CLIENT SECURITIES & LEGAL PROCEEDINGS**

### **Proxy Voting**

For any client account for which Balestra Capital retains proxy voting responsibility, Balestra Capital seeks to vote proxies, if any, in a manner that furthers the best economic interests of its clients. Proxy statements are forwarded to Balestra Capital by the custodians who hold client portfolios. Each corporate proxy statement is reviewed by at least one Balestra Capital Portfolio Manager. The Portfolio Manager or a delegate gives instruction as to how each item is to be voted.

Balestra Capital votes proxies in accordance with the Portfolio Manager's determination of what outcome is in the best economic interest of the particular fund or discretionary account client. Such decisions are made on a case-by-case basis, taking into account relevant factors, including:

- the anticipated impact on the returns of the underlying company and Balestra Capital's clients;
- the anticipated impact on the underlying company's operating costs or share value;
- the potential impact on the cost of investment in the underlying company;
- the potential attraction of additional capital to the underlying company;
- the alignment of interests of the underlying company's management with its shareholders;
- the costs associated with voting the proxy; and
- industry business or practices.

Balestra Capital maintains a record of each vote and an explanation for the vote for a period of five years.

Voting is subject to the advisory agreements of the respective funds and discretionary managed accounts. For the Balestra Funds, no single investor can direct Balestra Capital to vote proxies in a particular manner. To date, no discretionary managed account client has directed Balestra Capital to vote a proxy in a specific manner. If a discretionary managed account client were to make a specific direction, we would reasonably seek to follow such instruction.

With respect to shareholder governance, covenants, social issues and other votes, it is the policy of Balestra Capital to discuss each of these votes and issues in order to determine its position on



a case by case basis. Balestra Capital, upon occasion, delegates the right to vote on particular issues to the investment professional monitoring that investment.

Balestra Capital will seek to identify conflicts, if any, it has in voting proxies. In the event of a conflict, Balestra Capital will either: a) abstain from voting if the vote is not likely to be affected; b) retain a disinterested third party adviser to advise on the vote; c) vote the shares in proportion to other “yes” and “no” votes received by the issuer; or d) take such other actions, as would be appropriate in the particular context. In addition, if Balestra Capital retains an independent proxy monitoring service, it will seek to identify and mitigate the service provider’s conflicts of interests, if any.

Existing or prospective clients can obtain a copy of Balestra Capital’s proxy voting policy and related information, including Balestra Capital’s past voting decisions, by contacting Balestra Capital at 212-768-9000.

### **Legal Proceedings**

With regard to certain discretionary clients, Balestra Capital is responsible for responding to corporate actions, including notices of class action litigation on behalf of shareholders. As a fiduciary, Balestra Capital responds timely to such corporate actions upon the relevant Portfolio Manager’s determination of the desired course of action. If a corporate action arises and Balestra Capital concludes that a response is required, Balestra Capital will ensure that the filing deadline is met. Copies of corporate actions will be maintained in accordance with the firm’s book and recordkeeping procedures.

## **18. FINANCIAL INFORMATION**

As matter of firm policy and practice, Balestra Capital will not charge or earn advisory fees in excess of \$1,200 six or more months in advance of the services rendered.

Also, our firm and its partners have no financial events or proceedings to disclose.

## SUPPLEMENTAL INFORMATION

### Privacy Notice

At Balestra Capital, Ltd., maintaining the trust and confidence of our clients is of paramount importance. We are committed to safeguarding our clients' personal information and providing them with facts and options about how this information may be shared.

This notice replaces all previous statements of our consumer privacy policy, and may be amended at any time. We will provide our clients with annual reminders of our policies and with revised policies if there are any changes in how we handle our clients' personal information. If a client ends its relationship with us, we will continue to adhere to the policies and practices described in this notice. If existing or prospective clients have any questions about this privacy policy, they can contact Balestra Capital at (212) 768-9000.

Information That We Collect. In connection with providing our clients with our services, we obtain nonpublic and public information about our clients, which may include the following:

- Information that we receive from clients in subscription documents or other forms including name, address, social security number, assets, and income.
- Information about clients' investments with us, our affiliates or others.
- Information that we may obtain about clients from a consumer reporting agency.

Information That We Share. We, along with our affiliates, use or share information in a limited and carefully controlled manner. We do not disclose any nonpublic information about our prospective, existing or former clients to anyone, except as permitted or required by law or requested by a regulatory agency. Instances in which we may be required or requested to share client information include:

- Disclosure to companies that provide services necessary to effect a transaction that clients request or to service client accounts, such as prime brokers, accountants, attorneys, or administrators.
- Disclosure to government agencies, courts, parties to lawsuits, or regulators in response to requests or subpoenas. In such cases, we share only the information that is reasonably necessary to satisfy the request or that we are required or authorized to share.

Confidentiality and Security. Only those persons who need client information to perform their jobs have access to it. In addition, we maintain physical, electronic, and procedural security measures that comply with federal regulations to protect client information. Our employees have limited access to clients' personal information based upon their responsibilities. All employees are instructed to protect the confidentiality of clients' personal information as described in these policies, which are strictly enforced.