

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

Item 1 Cover Page

March 2015

Two Fish Management, LLC  
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Two Fish Management, LLC is a Registered Investment Adviser (RIA).

This brochure provides information about the qualifications and business practices of Two Fish Management, LLC. If you have any questions about the content of this brochure, please contact us at 317.218.3806 and/or [jsauder@twofishmgmt.com](mailto:jsauder@twofishmgmt.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Two Fish Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 149612.

Registration as an RIA does not imply a certain level of skill or training.

Item 2 Material Changes

The following are material changes since Two Fish Management, LLC's last annual update of this brochure on March 26, 2014:

- Two Fish Management, LLC began sub-advising a new options strategy called Index Spread and Volatility Income. Additional information can be found in Sections 4B and 8B of this Form.
- Two Fish Management, LLC added Sheaff Brock Capital Management as a Profits-Interest partner on July 1, 2014.
- Opened a Chicago, IL office during 2014
- Added Errors and Omissions Insurance coverage
- Hired Michael Yeoman in February 2015 as a trader in our Chicago office.

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Item 4 Advisory Business

**4A.** Founded in December 2007, Two Fish Management, LLC is an investment management firm that aims to provide superior risk-adjusted investment returns as compared to broad equity market indices through an actively managed partnership (Two Fish Partners, L.P.) and separately managed accounts for high net worth individuals and institutions. The principal owners of Two Fish Management, LLC are Michael P. Morris, John R. (J.R.) Sauder, Michael J. Kessling, John D. Sauder, Jonathan P. Schwab. Michael J. Kessling, Michael P. Morris and J.R. Sauder actively participate in the business while John D. Sauder and Jonathan P. Schwab are passive owners in Two Fish Management, LLC. Sheaff Brock Capital Management, LLC was added as a Profits Interest Partner on July 1, 2014.

**4B.** The actively managed partnership (the "Fund") is reserved for accredited investors only. The Fund is an actively managed long/short investment partnership is managed under our proprietary Hedged High Yield ("HHY") mandate (see a detailed description of HHY below).

The separately managed accounts are managed using a variety of strategies including HHY, Put Income ("PUT"), Core Equity ("CORE") Iron Condor ("CONDOR"), Index Spreads ("SPREAD"), Volatility Income ("VOL"). All of these investment strategies provide implied equity exposure for our clients by selling out of the money (OTM) put option contracts on equities to some degree in the accounts. We work directly with high net worth investors, financial advisors and institutions to create investment portfolios catered to their specific needs and situations. We work closely with our direct clients to understand their risk tolerance, tax situation, liquidity needs, time horizon and cash flow requirements to structure their portfolios accordingly. Equity exposure is adjusted to match the client's risk tolerance and comfort level with margin. Clients may select a fixed fee arrangement with Two Fish Management. This option is offered to all clients and may make sense if the client wants customized research reports on their own ideas, regular monthly or even twice monthly meetings, and other personalized analysis; for example a cash flow sensitivity to borrowing rate increases. The type of services provided for a fixed fee arrangement are for clients with more complex financial needs and tend to be atypical arrangements.

**4C.** We manage a variety of mandates as listed above and need to communicate with Two Fish if their investment needs have changed. Clients may impose restrictions on investing in certain securities or types of securities.

**4D.** Two Fish Management, LLC does not directly participate in any wrap fee programs, however please see section 4 Misc. pertaining to wrap programs that unaffiliated firms we sub-advise for may participate in.

**4E.** As of March 2, 2014 Two Fish Management, LLC managed \$750,000,000 in discretionary assets and \$200,000 in non-discretionary assets.

**4Misc. No Financial Planning Services.** Two Fish **does not** hold itself out as providing, nor does it provide, any financial planning services. Neither Two Fish, nor any of its representatives, serves as an attorney, accountant, or insurance agent, and no portion of Two

Fish's services should be construed as same.

**Affiliated Private Funds.** As indicated above, Two Fish manages an affiliated private investment fund, Two Fish Partners, LP (the "Fund"). A complete description of the terms, conditions, risks and fees [including incentive compensation] associated with the Fund is set forth in the Fund's offering documents. Two Fish, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to the Funds. **Two Fish clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).**

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Conflict Of Interest.** Because Two Fish and/or its affiliates can earn compensation from the Fund (both management fees and incentive compensation) that may exceed the fee that Two Fish would earn under its standard asset based fee schedule referenced in Item 5 below, the recommendation that a client become a Fund investor presents a **conflict of interest**. No client is under any obligation to become a Fund investor. **Two Fish's Chief Compliance Officer, J.R. Sauder, remains available to address any questions regarding this conflict of interest.**

**Client Obligations.** In performing its services, Two Fish shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Two Fish if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Two Fish's previous recommendations and/or services.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage Two Fish on a non-discretionary investment advisory basis **must be willing to accept** that Two Fish cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, Two Fish will be unable to effect any account transactions (as it would for its discretionary clients) **without first obtaining the client's verbal consent.**

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Two Fish) will be profitable or equal any specific performance level(s).

**Sub-Advisory Services-Limitations.** The Firm also serves as a sub-adviser to unaffiliated registered investment advisers. With respect to this type of engagement, the unaffiliated investment advisers that engage the Firm's sub-advisory services, maintain both the initial and ongoing day-to-day relationship with the underlying client, including the initial and ongoing determination of client suitability for the Firm's investment strategies. The Firm's obligation shall be to manage the client's account consistent with the investment strategy designated by the unaffiliated investment adviser. In addition, for all such engagements, the Firm does not generally have the ability to choose and/or determine: (1) the custodian and/or broker-dealer for the client's account; (2) whether the services are part of a wrap program or provided on an unbundled basis; or (3) program and/or transaction cost pricing. Thus, the Firm is unable to control or confirm best execution for account transactions. Higher fees and transaction costs adversely impact account performance.

#### Item 5 Fees and Compensation

**5A.** Two Fish Management collects fees on a monthly basis in arrears for investment management services rendered unless another billing arrangement has been made or an advisor to whom Two Fish Management provides sub advisory services has a different pre-existing relationship with their clients. All investment management fees are negotiable and determined based upon scope of work with the baseline fee schedule as follows:

First \$500,000 - \$1,000,000	1.50%
\$1,000,001 - \$2,500,000	1.00%
\$2,500,001 - \$5,000,000	0.75%
\$5,000,001 - \$10,000,000	0.50%
\$10,000,001 and up	0.35%

Management fees charged to Two Fish Partners, L.P. are no more than 1.5% per annum of assets under management payable monthly in arrears. Two Fish Management may also collect an incentive fee of 20% once the annual hurdle rate of 8% is met, subject to a high water mark. All terms are defined in the Partnership's Private Placement Memorandum (PPM).

Clients that have a consulting relationship with Two Fish Management are typically billed a fixed monthly retainer, unless another arrangement has been agreed upon by both parties. Services included in a typical fixed fee arrangement include, but are not limited to; investment management across a client's total portfolio, cash flow projections, net worth and net liquidity tracking, and independent investment research. For example, a client may receive a customized

research report of high yield equities and bonds along with a risk analysis sorted by client exposures to specific companies and/or sectors. Fixed retainers are offered instead of hourly fees to consulting clients due to the large amount of upfront time needed to understand and model each client's unique situation. Members of Two Fish Management meet face to face with consulting clients monthly in a typical fixed retainer arrangement. Clients are not charged differently depending on the investment adviser providing them their service and the fee schedule stated above is used as a baseline for determining fixed fees. For example, if a client had \$5,000,000 in assets with Two Fish Management, in a customized portfolio, their management fee would total \$4,062.50 per month. If the client wanted to add budgeting, cash flow projections and other personalized deliverables, including meeting with an investment adviser two times a month, the fixed fee arrangement could be \$5,000.00 per month.

**5B.** Clients may select to have fees deducted from their assets managed by Two Fish Management, LLC or be billed separately for fees incurred.

**5C.** Depending on the investment securities placed in a clients' account, clients may also pay mutual fund expenses and/or custodian fees. Clients will also incur brokerage and other transactions costs when trades are made in their account. Please find the specifics of these costs in Item 12.

**5D.** Clients do not pay in advance of services rendered unless they do so to an advisor that uses Two Fish Management to provide sub advisory services.

**5E.** Neither Two Fish Management, LLC, nor any of its investment advisers receive any compensation for the sale of securities or other investment products.

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

**6.** Two Fish Management, LLC may charge performance-based fees to clients who have at least \$1,000,000 in portfolio assets managed by the firm, or who together with their spouse have a net worth of at least \$2,000,000 excluding principal residence. Clients are advised that performance-based fees involve a sharing of any portfolio gains between the client and the investment manager. Such performance-based fees create an economic incentive for Two Fish Management, LLC to take additional risks in the management of a client portfolio that may be in conflict with the client's current investment objectives and tolerance for risk. No performance-based fees will be assessed until the portfolio, on a cumulative basis from account inception, is in a net gain position. Performance-based fees are in addition to the asset-based fees detailed in Item 5 of this Brochure. Clients are also advised that as a result of the standard asset-based fee and the performance-based fee, the investment manager has an economic incentive to recommend a performance-based fee structure. Performance-based fees may only be offered to clients who meet one of the following criteria:

- A natural person who or a company that immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser
- A natural person who or a company that the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the

contract, either:

- Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse, excluding principal residence) of more than \$2,000,000, at the time the contract is entered into; or
- Is a qualified purchaser as defined in section 2(a)(51)(AA) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(51)(A)) at the time the contract is entered into; or
- A natural person who immediately prior to entering into the contract is:
- An executive officer, director, trustee, general partner, or person serving in similar capacity of the investment adviser; or
- An employee of the investment adviser (other than an employee performing solely clerical, secretarial, or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.

Item 7      Types of *Clients*

**7.** Generally, Two Fish Management provides investment advice to individuals who are accredited investors. Accredited investors are defined under Rule 501(a) under the Securities Act as individuals having an individual gross income in excess of \$200,000 in each of the two most recent years, or a joint gross income with a spouse in excess of \$300,000 in each of those years with a reasonable expectation of reaching the same income level in the current year; an individual and his/her spouse having net worth exceeding \$1,000,000. (Net worth for this purpose means total assets (excluding residence, personal property and other assets) in excess of total liabilities.)

There is no minimum investment or account minimum at Two Fish Management, as we have full discretion to accept or decline accounts of any size. Two Fish, in its sole discretion, may charge a lesser investment management fee and/or reduce/waive its aggregate account minimum based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.

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

**8A.** Two Fish Management, LLC uses charting, fundamental, technical and cyclical methods of analysis when determining an investment strategy. The most frequent form of charting we use is point and figure charting. We use point and figure charting as a method of forecasting equity price targets and monitoring changes in price trend. Our fundamental analysis comes from a variety of sources. The main sources of information we use are financial newspapers and magazines, inspections of corporate activities, company press releases, annual reports, prospectuses, filings with the Securities and Exchange Commission and research materials prepared by others including Morningstar, among others. We do both short and long term technical analysis to help us with the timing of our buying and selling.

**8B.** The investment strategies we use most frequently are Put Income (PUT), Hedged High Yield (HHY), Iron Condor (CONDOR), Index Spread (SPREAD) and Volatility Income (VOL).



These strategies can be long term (held over a year), short term (sold within a year) or trades (sold within 30 days).

In the PUT strategy we generate income by writing out-of-the-money (OTM) put contracts with varying times to expiration on common stocks we believe to trade at a significant discount to intrinsic value, have limited financial leverage, and are oversold on a technical basis. We typically collateralize these put sales with a fixed income mutual fund. Selling a put option is a risky strategy because the client is using leverage. For each put option we sell in a clients' account, the client is obligated to buy 100 shares at the options strike price.

In the HHY strategy, we invest clients' capital in securities with high dividend/distribution yields relative to fixed income alternatives. We also manage an event-driven book of long positions with catalysts (e.g., spin-offs, divestitures, special dividends, share buybacks, merger/takeover transactions) for "yield or income" in less than a one year time horizon. We also sell out of the money (OTM) put options to enhance the income yields in accounts. Selling a put option is a risky strategy because the client is using leverage. For each put option we sell in a clients' account, the client is obligated to buy 100 shares at the options strike price. Finally, we typically hedge the market exposure of these accounts by shorting e-mini S&P 500 futures or equity index exchange traded funds (ETFs) like the S&P 500 SPDR ETF (SPY). The HHY strategy typically has significant gross leverage risk, but we attempt to mitigate this risk through typically low net market exposure.

In the CONDOR strategy, we generate income by writing out-of-the-money (OTM) put and call contracts while subsequently buying further OTM put and call contracts to control our risk. The goal for CONDOR is to select common stocks we believe will stay within the range defined by our put and call sales over the duration of the option contract. One way we define maximum risk for the client is by always buying and selling the same number of put and call contracts. Although a client's max loss per trade is capped in the strategy, it is risky because we are using options and leverage.

In the SPREAD strategy, we generate income by writing deep out-of-the-money (OTM) equity index put contracts while subsequently buying an even further OTM put contract to manage risk. The strategy may also incorporate a call side (like CONDOR), but that does not happen all the time. The goal for SPREAD is to sell the put option into a market that appears to be either, trending higher, oversold or stabilizing. Either sharp or prolonged downward moves are detrimental to the client in this strategy.

In the VOL strategy, we generate income by selling out of the money (OTM) put and call contracts while subsequently buying further OTM put and call contracts to control our risk. It is different from the CONDOR strategy in that we may only trade either the put side of the condor (bullish) or the call side (bearish). From time to time we may trade this strategy with both the put side and call side on, like CONDOR. The VOL strategy tends to be shorter in duration than the CONDOR strategy. The goal for VOL is to sell higher implied volatility option contracts with the assumption that realized volatility will be less than implied volatility.

While frequent trading is not the goal of any of our strategies, Two Fish Management may trade

on a frequent basis. Frequent trading can affect investment performance due to the costs associated with trading, particularly through increased brokerage and other transaction costs and taxes. Two Fish Management does take these costs into account before engaging in frequent trading for clients.

**8C.** Investing in securities involves risk of loss that clients should be prepared to bear.

Item 9      Disciplinary Information

**9A.** Neither Two Fish Management, LLC nor its representatives has had any criminal or civil actions that are material to a client's evaluation of our advisory business or the integrity of management.

**9B.** Neither Two Fish Management, LLC nor its representatives has had any administrative enforcement proceedings that are material to a client's evaluation of our advisory business or the integrity of management.

**9C.** Neither Two Fish Management, LLC nor its representatives has had any self regulatory organization enforcement proceedings that are material to a client's evaluation of our advisory business or the integrity of management.

Item 10      Other Financial Industry Activities and Affiliations

**10A.** John R. Sauder, Michael J. Kessling and Michael P. Morris are registered representatives for Two Fish Management, LLC.

**10B.** Two Fish Management is registered with the NFA/CFTC and has the ability to use futures as a hedging instrument in Two Fish Partners, L.P. and client's accounts that both are large enough to justify and after explaining all risks associated with futures to the client.

**10C.** Two Fish Management, LLC is the General Partner for Two Fish Partners, L.P., a private investment partnership invested in stocks and options and has the ability to use futures to hedge market exposure. Two Fish Management may solicit clients who meet the Investment Standards set forth in the Two Fish Partners, L.P. fund documents.

The client should be aware that Two Fish Management faces a conflict of interest managing accounts where the fees are performance-based, like Two Fish Partners, L.P., and accounts that are non-performance-based at the same time. Two Fish Management has incentive to favor accounts for which we receive a performance-based fee.

We try to address these conflicts by entering block trades so that all accounts (including Two Fish Partners, L.P.) receive the same pricing on transactions. Additionally, Two Fish Management has a Code of Ethics that all active managers must sign on an annual basis requiring the manager to always place the interest of the clients first and never benefit at the expense of advisory clients.

**10D.** As of the date of this brochure, Two Fish Management, LLC has not recommended another investment adviser.

Item 11 Code of Ethics, Participation or Interest in *Client* Transactions and Personal Trading

**11A.** Two Fish Management, LLC has adopted a Code of Ethics to: set forth standards of conduct expected of advisory personnel (including compliance with federal securities laws); safeguard material non-public information about client transactions; and require "access persons" to report their personal securities transactions. In addition, the activities of an investment adviser and its personnel must comply with the broad antifraud provisions of Section 206 of the Advisers Act. Two Fish Management, LLC holds all its advisers and employees accountable for adhering to and advocating the following general standards to the best of their knowledge and ability. First, always place the interest of clients first and never benefit at their expense. Second, always act in an honest and ethical manner, including in connection with, and the handling and avoidance of, actual or potential conflicts of interest between personal and professional relationships. Third, always maintain the confidentiality of information concerning the identity of security holdings and financial circumstances of clients. Fourth, fully comply with all applicable laws, rules and regulations of federal, state and local governments and other applicable regulatory agencies. Lastly, proactively promote ethical and honest behavior with the Adviser, including, without limitation, the prompt reporting of violations of, and being accountable for adherence to, this Code of Ethics.

**11B.** Two Fish Management, LLC does solicit clients to invest in Two Fish Partners, L.P. a pooled investment fund, of which Two Fish Management, LLC is the general partner and has a material financial interest. The pooled investment fund is offered to accredited investors only.

**11C.** In some cases a member of Two Fish Management, LLC may invest in the same securities that we recommend to clients. Before a personal trade is placed by a managing member of Two Fish Management, LLC, it is approved in writing by another managing member to ensure that client transactions in the security to be traded in a personal account have been fully executed before a personal trade is executed in the same security. After execution of the personal trade, a trade confirmation ticket is placed in the personal trading file maintained by the Chief Compliance Officer (CCO). Two Fish Management, LLC believes that we address potential conflicts of interest by waiting to execute personal transactions until client transactions are completed intraday. We also believe that buying the same securities our clients own represents a good faith effort by Two Fish Management, LLC members to invest along with our clients in securities we recommend for purchase.

**11D.** Two Fish Management has not in the past and has no intentions to make markets in recommended securities by taking the other side of client transactions in our personal accounts.

Item 12 Brokerage Practices

**12A.** In the event that the client requests that Two Fish Management recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Two Fish Management to use a specific broker-dealer/custodian), Two Fish Management generally recommends that investment management accounts be maintained at *TD Ameritrade*. Prior to engaging Two Fish Management to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Two Fish Management setting forth the terms and conditions under which Two Fish Management shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Two Fish Management considers in recommending *TD Ameritrade* (or another broker-dealer/custodian) include historical relationship with Two Fish Management, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Two Fish Management's clients shall comply with Two Fish Management's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Two Fish Management determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Two Fish Management will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Two Fish Management's investment management fee. Two Fish Management's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Two Fish Management may receive from *TD Ameritrade* (or another broker-dealer/custodian, investment platform and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist Two Fish Management to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Two Fish Management may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Two Fish Management in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist Two Fish Management in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Two Fish Management to manage and further

develop its business enterprise.

Two Fish Management's clients do not pay more for investment transactions effected and/or assets maintained at *TD Ameritrade* as a result of this arrangement. There is no corresponding commitment made by Two Fish Management to *TD Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Two Fish Management's Chief Compliance Officer, J.R. Sauder, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

TD Ameritrade Institutional Customer Program

Two Fish Management participates in the institutional advisor program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., member of FINRA/SIPC/NFA, an unaffiliated SEC -registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Two Fish Management, LLC receives some benefits from TD Ameritrade, Inc. through its participation in the institutional advisor program.

Generally, in addition to a broker's ability to provide "best execution," we may also consider the value of "research" or additional brokerage products and services a broker-dealer has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars." Because many of the services or products could be considered to provide a benefit to the firm, and because the "soft dollars" used to acquire them are client assets, the firm could be considered to have a conflict of interest in allocating client brokerage business: it could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation the firm might otherwise be able to negotiate. In addition, the firm could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

Two Fish Management's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), the firm will make a good faith determination that the amount of fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to TD Ameritrade is reasonable in relation to the value of all the brokerage and research products and services provided by TD Ameritrade. In making this determination, we typically consider not only the particular transaction or transactions, but also the value of those services and products in our performance of our overall responsibilities to all

of our clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts of another broker-dealer who did not provide research services or products might charge.

"Research" products and services we may receive from broker-dealers may include economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and products or services (e.g. computer services and equipment, including hardware, software, and data bases) that provide lawful and appropriate assistance to the firm in the performance of its investment decision-making responsibilities. The firm may use some products or services not only as "research" and as brokerage but for our administrative and other purposes as well.

Because Two Fish can earn soft dollar compensation from TD Ameritrade, clients should be aware that there is a potential conflict of interest between using TD Ameritrade versus other broker-dealers. **Two Fish's Chief Compliance Officer, J.R. Sauder, remains available to address any concerns regarding this conflict of interest.**

**12A.3a.** For those occasions when no broker relationship exists, we will suggest, at the client's request, financial institutions that provide brokerage services.

**12A.3b.** Two Fish Management, LLC permits clients to choose whichever broker they prefer. However, a client directed brokerage account may cost the client more money as the client may pay higher transaction costs than other clients depending on the costs of the client's chosen broker. Two Fish Management does take transaction costs into consideration when assessing buying or selling securities in a client's account.

**12B.** In cases when an investment meets the criterion for more than one client account, Two Fish Management, LLC will attempt to block or aggregate trade orders.

Item 13      Review of Accounts

**13A.** Michael P. Morris, Michael J. Kessling and J.R. Sauder review the macro exposures and security holdings of Two Fish Partners, L.P. on a weekly basis. They also actively trade around core positions and hedge the portfolio on a daily basis.

Separate accounts managed by Two Fish Management, LLC are reviewed on a weekly basis as well. The activity of trading in the separate accounts is based on the stated goals of clients and type of account.

**13B.** We review client accounts on a non-periodic basis upon any client request.

**13C.** Net asset value summaries are sent to limited partners on a quarterly basis by NAV Consulting. Account statements provided by the broker of their choosing (e.g. Schwab, TD Ameritrade, Interactive Brokers, JP Morgan, Fidelity etc.) are delivered to separate account clients on at least a quarterly basis. All reports are written.

Item 14      *Client Referrals and Other Compensation*

**14A.** As disclosed under Item 12 above, Two Fish Management participates in TD Ameritrade, Inc.'s institutional advisor program and it may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between Two Fish Management's participation in the program and the investment advice it gives to its clients, although Two Fish Management receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Two Fish Management; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Two Fish Management by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Two Fish Management's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Two Fish Management but may not benefit its clients' accounts. These products or services may assist Two Fish Management in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Two Fish Management manage and further develop its business enterprise. The benefits received by Two Fish Management or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Two Fish Management endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Two Fish Management or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Two Fish Management's choice of TD Ameritrade for custody and brokerage services. **Two Fish's Chief Compliance Officer, J.R. Sauder, remains available to address any concerns regarding this conflict of interest.**

**14B.** Two Fish is not currently involved in any referral programs.

Item 15      *Custody*

**15.** Two Fish Management, LLC does not have physical custody of client funds or securities. However, as result of its role as General Partner of Two Fish Partners, L.P., Two Fish Management, LLC does indicate that it has custody on Part 1 of Form ADV. Assets managed by Two Fish Management, LLC are held in custody at TD Ameritrade or JP Morgan Chase as the custodian.

Account statements are provided by qualified custodians on a monthly basis, either electronically or physical mail per the client's request, for clients that have a separate account with Two Fish

Management, LLC. For those clients that are limited partners in Two Fish Partners, L.P., NAV Consulting in Oak Brook, IL provides quarterly account statements. These statements are sent directly to the limited partners from NAV Consulting.

Clients should carefully review their statements.

Item 16 Investment Discretion

**16A.** Two Fish Management does accept discretionary authority to manage securities on behalf of clients. Before assuming this authority, we execute a limited power of attorney, a limited trading authorization statement with the client and at the client's discretion, a letter of authorization to deduct management fees.

**16B.** Separate account clients may and do limit both the instrument Two Fish management uses to invest (options, common stock and/or futures) and specific companies that they prefer Two Fish Management not invest in (e.g. Playboy, Phillip Morris, etc.).

Item 17 Voting *Client* Securities

**17A.** Two Fish Management, LLC may or may not vote proxies for Two Fish Partners, L.P, as is its authority as general partner of the partnership. Separate account clients may also authorize Two Fish Management, LLC to vote their securities. Unless a specific arrangement has been made, it is assumed the client is responsible for voting proxies. For accounts and clients where we have authority to vote securities, we vote based in accordance with our voting policy below and do not allow clients to direct votes for a particular solicitation.

We regularly monitor corporate actions and may vote client proxies. We vote securities in order of their proxy due dates and generally vote for company proposals that favor independent and qualified board members, moderate executive compensation and other policies that emphasize a return on invested capital framework for strategic decision making. We vote securities in the best interests of clients. We do not believe that we face any material conflicts of interest in our securities voting for clients.

Clients may obtain information about how we voted any of their proxies upon request.

**17B.** Unless a specific arrangement has been made, we do not have authority to vote client securities. Clients will receive their proxies or other solicitations directly from their custodian or transfer agent. Clients are free to contact us with questions about a particular solicitation.



Item 18 Financial Information

**18A.** Two Fish Management, LLC collects management fees in arrears for all direct clients.

**18B.** We foresee no financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

**18C.** We have not been the subject of a bankruptcy petition at any time during the past ten years.