

# **Acuity Capital Management LLC**

60 Arch Street  
2<sup>nd</sup> Floor  
Greenwich, CT 06830

## **Form ADV Part 2A – Disclosure Brochure As of December 31<sup>st</sup>, 2015**

This Brochure provides information about the qualifications and business practices of Acuity Capital Management LLC, a Delaware limited liability company (“Acuity” or the “Advisor”), an investment adviser registered with the U. S. Securities and Exchange Commission (the “SEC”). Note that such registration does not imply a certain level of skill or training. If you have any questions about the contents of this Brochure, please contact us at (203) 769-5991, or at Acuity Capital Management LLC, 60 Arch Street, 2<sup>nd</sup> Floor, Greenwich, Connecticut 06830. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about the Advisor also is available on its website at [www.acuitycap.com](http://www.acuitycap.com) or on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 Material Changes

No material changes since the last update of the Form ADV.

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## Item 4 Advisory Business

Acuity Capital Management LLC (“Acuity” or the “Advisor”), a Delaware limited liability company, was founded in February 2003 by David Harris and Howard Needle. Acuity is registered as an investment adviser with the SEC. Messrs Harris and Needle are the owners of the Advisor and each owns 40% of the equity of the firm, in addition, WHV Investments owns 20% equity of the firm.

The primary investment focus of the Advisor is to manage one or more private investment vehicles and/or accounts. Currently the Advisor manages two related private funds, namely, Acuity Corporate Opportunity Partners, LP, a Delaware limited partnership (the “Partnership”) and Acuity Corporate Opportunity Fund Ltd., a British Virgin Islands (“BVI”) company (the “Fund”). The Partnership and the Fund co-invest in the same securities portfolio through an intermediate entity owned by them, Acuity Corporate Opportunity Master Fund, Ltd., also a BVI company (the “Master Fund”, and collectively with the Partnership and the Fund, the “Funds”). Mr. David Harris and Mr. John Harnish serve as portfolio managers with respect to the Funds, subject to the oversight of Mr. Needle.

The rights and obligations of the Advisor with respect to the Partnership are set forth in the Limited Partnership Agreement of the Partnership (the “Partnership Agreement”) and, with respect to the Fund and the Master Fund, in an Investment Advisory Agreement by and between the Advisor and such Funds (the “Advisory Agreement”). The investment objective and strategy of the Partnership and the Fund (which are identical) are described in detail in the Partnership's Confidential Private Offering Memorandum and the Fund's Explanatory Memorandum, copies of which are delivered to prospective investors. Limited partnership interests in the Partnership and shares of the Fund are each offered solely to a limited number of qualified institutional and individual investors.

Pursuant to a trading manager agreement (the “Trading Manager Agreement”) between the Advisor and a major institutional platform investor, the Advisor has been appointed as the trading manager to trade for a separately managed account structured as a Bermuda unit trust (the “Trust”). Acuity manages the assets allocated to the Trust account subject to investment guidelines set forth in the Trading Manager Agreement and, to the extent practicable, *pari passu* with and in accordance with the investment objectives, strategies, techniques and restrictions of the Master Fund.

The Advisor also acts as investment adviser with respect to the account of a large individual/semi-institutional investor (the “Advisory Account”), whereby Advisor and the client consult with each other regarding trade ideas and the execution of trades. Acuity advises and is instructed by such client, and executes trades on client's behalf. The Advisor does not exercise any investment authority, whether discretionary or non-discretionary, with respect to the Advisory Account.

In addition, the Advisor acts as subadviser to certain registered investment companies. In particular, Acuity has been appointed a discretionary portfolio manager with respect to certain assets (the “WMA Fund Account”) of the Wilmington Multi-Manager Alternatives Fund (formerly, the Wilmington Rock Maple Alternatives Fund), a distinct series of shares of beneficial interest of the MTB Group of Funds, an investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). Acuity also serves as subadviser to certain assets (the “Sandalwood Fund Account”) of the Sandalwood Opportunity Multi-Strategy Fund, a diversified series of the Northern Lights Fund Trust, a Delaware statutory trust registered under the 1940 Act as an open-end investment management company. Furthermore, Acuity also serves as subadviser to the assets (the

“WHV/Acuity Account”) of the WHV/Acuity Tactical Credit Long/Short Fund, a diversified series of the FundVantage Trust, a Delaware statutory trust registered under the 1940 Act as an open-ended investment management company. The WMA Fund Account, the Sandalwood Fund Account, and the WHV/Acuity Account together, are sometimes referred to herein as the “Registered Fund Accounts”. In reliance upon Instruction 1 for Part 2A of Form ADV, and except for certain limited references in this Item 4 and Item 7 of this Brochure, we are not providing further information with respect to the Registered Fund Accounts in this Brochure.

If you would like information about a Registered Fund Account you should refer to its Prospectus, a copy of which may be obtained by contacting the Advisor at (203) 769-5991. As of December 31<sup>st</sup>, 2015, the Advisor managed approximately \$150 million in assets on a discretionary basis.

## **Item 5 Fees and Compensation**

*The Partnership.* Under the Partnership Agreement the Advisor is entitled to receive from the Partnership a management fee at the rate of 2% per annum of the net asset value of the Partnership, in consideration of the investment services it provides the Partnership and its assumption of various overhead and operating expenses. The management fee is payable in advance on a monthly basis.

An affiliate of the Advisor, Acuity Capital Advisors LLC (the “General Partner”), acts as sole general partner of the Partnership. The General Partner is entitled to receive an annual incentive allocation from the Partnership, based upon net profits allocable to each limited partner. Such incentive allocation is charged separately to each limited partner’s capital account and consists of 20% of each limited partner’s share of net profits for each year. Incentive allocations are subject to a “high-water mark” provision, *i.e.*, any net losses allocated to a limited partner for the prior fiscal year or any part thereof must be recouped before the General Partner may receive an incentive allocation from such partner.

The Partnership is responsible for payment of the Advisor’s management fee; all expenses incurred in the buying, selling and holding of securities and other investments (including, without limitation, all custody, accounting, transfer and legal fees, brokerage commissions, markups and markdowns and interest expense); and all of its own operating costs not borne by the Advisor, including the Partnership’s legal and auditing fees and the fees of any administrator or bookkeeping firm the Partnership retains. The Advisor assumes all other operating expenses of the Partnership, as well as its own overhead and operating expenses.

*The Fund.* Under the Advisory Agreement the Advisor is entitled to receive an annual incentive fee from the Fund equal to 20% of the increase in the aggregate net asset value of each outstanding series of common shares of the Fund during each fiscal year. No incentive fee will be due, however, as to a net asset value increase in a particular series of shares unless, and only to the extent that, such net asset value increase exceeds the prior highest net asset value established by such shares during the prior year. At the option of the Advisor, the Advisor can receive an identical incentive allocation directly from the Master Fund in lieu of such incentive fee.

The Advisor will also receive from the Fund a management fee at the rate of 2% per annum of the Fund’s net assets, determined and payable monthly. At the option of the Advisor, the Advisor can receive such management fee directly from the Master Fund.

*Other Clients.* In accordance with the Trading Manager Agreement, Acuity is entitled to a management fee at a negotiated rate based on the net assets of the Trust account which is calculated and accrued (on a monthly basis) as of the close of the end of each valuation day and is payable as to the end of each calendar quarter. The Advisor is also entitled to an annual incentive fee at a negotiated rate based on the net profits of the Trust account in excess of an established hurdle return. The incentive fee is payable after the end of the investment year.

The Advisor is compensated for services with respect to the Advisory Account on a negotiated basis.

Neither the Advisor nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

As described in Item 5 above, an affiliate of the Advisor, the General Partner, is entitled to receive an incentive allocation from the Partnership based upon the net profits of each limited partner. Such incentive allocation may therefore be deemed a performance-based fee or allocation. The Advisor itself receives no performance-based compensation from the Partnership.

Also as described in Item 5 above, the Advisor is entitled receive an annual incentive fee from each of the Fund and the Trust.

As described in Item 4 above, the Partnership and the Fund co-invest in the same securities portfolio, on a *pari-passu* basis, through an intermediate entity owned by them, namely, the Master Fund. The Trust also invests *pari-passu* with the Master Fund. Accordingly, and in general, the Advisor believes that there are no conflicts of interest between the Partnership, the Fund and the Trust, as they invest in substantially similar portfolios.

## **Item 7 Types of Clients**

As described above in Item 4, the Advisor provides advisory services to the Funds and subadvisory services to the Trust and the Registered Fund Accounts. The Funds, the Trust, and the Registered Fund Accounts are the only discretionary accounts of the Advisor. The Advisor does not and will not have separate client relationships with investors in the Funds, the Trust or the Registered Fund Accounts. The minimum investment in Fund interests is \$1,000,000, which may be waived by the General Partner in its sole discretion. The Trust has a minimum investment requirement of \$25,000,000, which may be waived by Acuity in its sole discretion.

With respect to the Advisory Account, the client is a major financial institution.

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

*Investment Strategy and Methods of Analysis.* The investment objective of the Funds and the Trust is to achieve superior risk-adjusted total returns by investing and trading in instruments which are rated investment grade, below investment grade or unrated, including, but not limited to, senior and

subordinated debt, bank loans, trade claims and all other types of fixed-income obligations as well as investments in the securities of distressed companies. Equity securities related or unrelated to debt positions may also be acquired as part of hedging strategies or otherwise in furtherance of the strategy.

The Advisor's investment strategy focuses primarily on undervalued or overvalued debt securities and dislocations in the new issue calendar. The Advisor seeks to identify significantly undervalued and overvalued debt securities utilizing a bottom-up approach which is based upon extensive fundamental analysis focusing on industry and operating trends, free cash flow generation under normal and stressed situations, capital structures, competitive positioning and sponsor involvement. Portfolio investment decisions are made on a security specific basis with a view toward risk/return impact of the aggregate portfolio. The Advisor endeavors to leverage extensive broker-dealer relationships to access the relative cheapness of new issuance versus the secondary market. These contacts provide timely information regarding fund flows and actionable market intelligence. In addition, the Advisor intends to pursue opportunities for capital structure arbitrage to take advantage of inefficiencies in the pricing between debt and equity securities of the same or affiliated issuers.

The Advisor's investment strategy is predicated upon establishing long and/or short positions in corporate credit related instruments based on extensive fundamental credit analysis and due diligence. These fundamental views can be expressed through investments across the capital structure including senior secured debt (first and second liens), senior unsecured debt and senior subordinated debt, and equity securities. Relative value investing will also be employed within the capital structure of the same company.

In general, a majority of the Funds' and the Trust's investments are currently in the U.S. markets; however, if the Advisor views certain foreign markets as offering favorable opportunities, the Advisor may also invest in non-U.S. securities of issuers domiciled in the developed nations, including, but not limited to, Germany, France, the United Kingdom, Italy, Japan and Canada. Although it has no current intention of doing so, the Advisor will also have the right to invest within the emerging market countries.

*Analysis.* The Advisor will initiate investment decisions in the Funds' or the Trust's portfolio, as applicable, using a bottom-up approach. The credit universe will be continually analyzed and evaluated with a view of issue specific cheapness/richness, not due to a pre-defined geographic breakdown. The Advisor will use a combination of quantitative modeling, fundamental equity and credit analysis, current and historical pricing of similar securities, expected market demand analysis, targeted screening, and third-party research to identify and analyze investment opportunities. The bottom-up process is dependent on superior analytical capabilities, as well as the trading expertise and experience of the Advisor's trading personnel.

*Risk of Loss.* There are a number of risks inherent in investments by the Funds or the Trust. While some risk is necessarily inherent in all investments in securities, the Advisor will take a disciplined investment approach and will place significant emphasis on the preservation of capital. In furtherance of capital preservation the Advisor expects to sell securities short, including public bonds and common stocks, and engage in derivatives transactions, such as swaps, to hedge principal, credit or currency risk. Risk management is a key element of the Advisor's strategy and involves a

variety of risk management policies, tools and systems. The Advisor intends to restrict client capital so as to maximize flexibility and the availability of investment opportunities.

While the Advisor will employ certain analytical methods and disciplines in an effort to reduce risk, investing in debt instruments inherently involves significant investment risks. Such risks include, but are not limited to, the following: *Limited Operating History*. The Funds, having commenced investment activities in January 2010, are recently formed entities with a highly limited operating history upon which basis potential investors may evaluate their performance.

*Dependence on Management*. The success of the investment strategy will be substantially dependent upon the skills of the Portfolio Managers, Mr. John Harnisch and Mr. David Harris, as well as upon the Advisor's principals, Messrs. Needle and Harris.

*Credit Risks Generally*. Many debt investments, if not all, will be substantially subject to credit risks, unless such risks are completely hedged. The proper analysis of credit risk is, in general, a key element of the valuation of debt securities and other credit obligations. Investments may have relatively low credit standing or be largely speculative. Credit analysis requires considerable expertise, quantitative skill and specialized quantitative tools. Credit risks in many situations may not be capable of being effectively hedged or otherwise reduced.

*Interest Rates*. The market prices of fixed-income investments, including a portion of the debt obligations to be invested in, are dependent upon interest rate levels in the relevant financial markets, in addition to such factors as credit risk and financial condition relating to particular issuers. Such market prices may be expected to vary inversely with interest rate levels, although such correlation may not be as great with lower rated obligations as with investment grade debt. In general, however, the market value of debt investments may be expected to be adversely affected by interest rate increases, particularly where such increases are substantial or unanticipated.

*Certain Investments With Higher Risks*. Investments in debt securities in emerging markets and in other foreign countries may be made. Certain of such investments involve a variety of risks that may not be present in investments within developed countries.

*Possible Concentration*. The Advisor may seek to concentrate investments in a limited number of issuers, industries, countries or regions. Although concentration may increase the possibility of significant investment returns, concentration can also significantly increase the likelihood or magnitude of losses, particularly over the short term. The risks inherent in investing in high yield debt or distressed securities, which involve the possibility of substantial losses, are further increased through concentration.

*Volatility*. Investments by the Funds or the Trust are generally subject to higher than average volatility. Concentration of a portfolio may be expected to further increase relative volatility. The Funds' or the Trust's portfolios may experience price fluctuations, therefore, more extensive than those of other investment vehicles. On account of the concentrated focus in certain instruments and markets, an investment in a Fund or the Trust account should be considered solely by investors prepared to experience greater than average volatility and fluctuations in value of investments, in the interest of possibly achieving superior returns.

*Leverage.* The Advisor will utilize leverage, whereby the Funds or the Trust pledges equity and debt securities in order to borrow additional funds for investment purposes. While leverage presents opportunities for increasing total return, it may have the effect of potentially increasing losses as well as increasing portfolio volatility.

Such risk factors, among others, are more fully described in the respective offering memoranda of the Partnership and the Fund, which should be carefully reviewed by prospective investors.

## **Item 9 Disciplinary Information**

There have been no legal or disciplinary events in the Advisor's history.

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

The Advisor has no relationships or arrangements that are material to its business or its clients other than those described above.

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

*Code of Ethics.* The Advisor has established a Code of Ethics ("Code"). The Code is designed to ensure that all employees are aware of and adhere to the policies and procedures of the Advisor. The purpose of the Code is to identify the ethical and legal framework in which the Advisor and its employees are required to operate and to highlight some of the guiding principles and mechanisms for upholding the Advisor's standard of business conduct. The description below is a summary only. A complete copy of the Code is provided to clients and investors in the Partnership or the Fund upon written request. Material components of the Code, in summary form, include:

*Standard of Business Conduct.* It is the responsibility of all employees to ensure that the Advisor conducts its business with the highest level of ethical standards and in keeping with its fiduciary duties to its client. Employees have a duty to place interest of a client first, and to refrain from having outside interests that conflict with the interests of its clients.

*Prohibited Conduct.* The Advisor's employees must avoid any circumstances that might adversely affect or appear to affect their duty of complete loyalty to a client.

*Privacy of Client Information.* All information relating to clients' portfolios and activities and to proposed recommendations is strictly confidential. Consideration of a particular purchase or sale for a client may not be disclosed, except to authorized persons.

*Personal Securities Transactions.* All employees shall comply with the Advisor's personal account trading policy summarized below.

*Conflicts of Interest.* Employees may not use any confidential information or otherwise take inappropriate advantage of their positions for the purpose of furthering any private interest or as a means of making any personal gain. Employees and their immediate families may not accept any



benefit from any client or any person who does business with the Advisor, other than business courtesies and non-cash gifts of nominal value.

*Service as a Director.* No employee may serve as a director of a publicly-held company without prior approval by the Chief Compliance Officer ("CCO") based upon a determination that service as a director would not be adverse to the interest of clients.

*Reporting of Violations.* Employees are required to promptly report all actual or potential conflicts of interest, violations of any government or regulatory law, rule or regulation or violations of the Advisor's policies and procedures.

*Training.* Formal ethics training for all employees will occur on a periodic basis.

*Review and Enforcement.* The CCO is responsible for ensuring adequate supervision over the activities of all persons who act on the Advisor's behalf in order to prevent and detect violations of the Code by such persons.

*Participation or Interest in Client Transactions and Personal Trading.* All employees shall comply with the procedures governing personal securities transactions set forth in the Code. Such procedures are designed, among other matters, to assist the CCO in avoiding potential conflicts of interests and detecting and preventing abusive trading practices such as "scalping" or "front running" and to highlight potentially abusive "soft dollar/client commission" or brokerage arrangements. Strict compliance with the Advisor's personal trading policy is essential to the Advisor and its reputation. Any violation of the Advisor's personal trading policy can be grounds for immediate dismissal by the Advisor of any employee. Every employee of the Advisor is expected to be familiar with the personal trading policy and the procedures contained therein. These matters can be reviewed with the CCO at any time.

The CCO shall maintain current and accurate records of all personal securities transactions in which employees have a direct or indirect beneficial interest.

The following restrictions shall apply to securities transaction(s) by employees of the Advisor and their related persons:

1. *Restricted Securities.* No employee shall invest or trade in securities owned by any of the Funds or any other client account of the Advisor, nor are employees able to participate in IPOs and limited offerings.

2. *Black-Out Period.* No employee may purchase or sell a security within five (5) business days before or after any client account buys or sells the same or related security. In no event may any employee execute a personal transaction in a security on any day during which there is pending for any client account any order in the same security until the order is executed or withdrawn.

3. *Disclosure to CCO.* Each analyst or trader is required to promptly disclose to the CCO any security under active consideration for purchase or sale by any client account.

4. *Initial Report.* An employee shall, no later than 10 days after the employee begins its relationship with the Advisor, provide the Advisor with brokerage account statements, which are as of a date that is within 45 days of the date the employee submits them to the Advisor, and complete and submit a list of brokerage accounts.

5. *Quarterly Reports.* On a quarterly basis all employees shall submit to the CCO a personal securities transaction report.

6. *Annual Report.* Following the completion of each calendar year, employees must resubmit a list of personal brokerage accounts.

7. *Record-Keeping Requirements.* The CCO shall establish a form to record personal securities transactions.

## **Item 12 Brokerage Practices**

The Advisor has full investment discretion with respect to the initiation of all portfolio securities transactions for the Funds' and the Trust's accounts, as well as full authority to select brokerdealers to execute such transactions. With respect to the Trust account, the Advisor does not select the prime broker. Deutsche Bank ("Deutsche Bank"), BNP Paribas ("BNP"), and Merrill Lynch Professional Clearing Corp. ("Merrill Lynch," and together with Deutsche Bank and BNP, the "Prime Brokers"), currently act as prime brokers for the Master Fund. The Advisor may in its discretion change its selection of prime brokers or add additional prime brokers. The Prime Brokers have certain administrative responsibilities, including the issuance of account statements and information with respect to securities transactions effected through other brokerdealers. The Prime Brokers will be allocated a portion of the Master Fund's securities transactions, subject to principles of best execution.

The Advisor may utilize a number of other broker-dealers to effect transactions for the Funds or the Trust. Subject at all times to principles of best execution, as well as any restrictions imposed by applicable law, broker-dealers are selected on the basis of certain considerations, including but not limited to, amount of transaction costs, quality of execution, expertise in particular markets, the reputation, experience and financial stability of the broker-dealer involved, quality of service, familiarity both with investment practices generally and the techniques employed by a client, clearing and settlement capabilities, securities allocation, availability of margin or other leverage, block positioning or other special execution capabilities, and research and other brokerage services, and support equipment and services related thereto, furnished to the Advisor or its affiliates. In so allocating brokerage, the commissions the Funds or the Trust will pay to such brokers will not necessarily represent the lowest transaction cost available, but will reflect Acuity's evaluation of the research and other brokerage related services supplied by such brokers and which benefit the Funds or the Trust, either alone or together with the other clients of the Advisor or its affiliates.

Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a "safe harbor" to investment managers who use commission dollars of their advisory accounts to obtain investment research, brokerage and other services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities (so-called "softdollar" arrangements), provided that the amount of any increased commission costs on account of such

research or other services is reasonable relative to the value of the services so provided. The SEC has taken the position, however, that the protections of Section 28(e) apply only to trades executed on a commission or agency basis, in contrast to transactions (such as most trading in debt instruments) executed on a principal basis. If Advisor enters into any such commission arrangements, they will be used solely to pay for products or services that qualify as “research and brokerage services”, within the meaning of Section 28(e), pursuant to arrangements that meet the other requirements of that Section.

The Advisor may aggregate sales and, as applicable, purchase orders of securities for one client account with similar orders being made simultaneously for other client accounts, if such aggregation would result in an overall economic benefit to the client, taking into consideration the availability of purchasers or sellers, the selling or purchase price, brokerage commission and other expenses. In the event that the sale or purchase of an asset occurs as part of any aggregate sales or purchase orders, the Advisor allocates the executions among the relevant accounts in a manner equitable for all accounts involved, taking into consideration, among other relevant factors, the differing investment objectives of the Advisor's clients, the amount of capital available, and the maturity of and the exposure to similar or offsetting positions. The Advisor has established written policies and procedures designed to review trades for best execution and trade aggregation allocation.

### **Item 13 Review of Accounts**

The portfolio positions of the Funds are reviewed at least monthly by personnel of the Advisor for adherence to return expectations and risk guidelines.

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

The Advisor does not compensate any person in any material respect for providing investment advice or client referrals.

### **Item 15 Custody**

The Advisor does not have physical custody of any client assets; it complies with Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the “Custody Rule”).

### **Item 16 Investment Discretion**

The Advisor has investment discretion over the assets of the Funds and the Trust account. It has no investment discretion as to its services provided to an institutional client, as described above.

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

The Advisor has adopted a policy regarding the voting of proxies that is designed to ensure that the Advisor's fiduciary obligation is fulfilled. The policy is designed to address a wide range of common business and social issues often contained in proxy statements and to vote in a client's best interest with respect thereto. Items not specifically addressed in the policy will be dealt with on a case-by-

case basis. The Advisor will provide upon request a record of how it has voted on a specific proxy item.

### **Item 18 Financial Information**

The Advisor is not required to furnish any financial information under this item.

### **Item 19 Requirements for State-Registered Advisers**

This item is inapplicable to the Advisor.