

**ITEM 1  
COVER PAGE**

---

**PART 2A OF FORM ADV: FIRM BROCHURE**

**PRENTICE CAPITAL MANAGEMENT, LP**

**May 17, 2018**

---

Prentice Capital Management, LP  
100 West Putnam Avenue  
Slagle House  
Greenwich, CT 06830  
Tel: (203) 302-2430  
Fax: (203) 614-8250

*This brochure ("Brochure") provides information about the qualifications and business practices of Prentice Capital Management, LP. If you have any questions about the contents of this brochure, please contact us at (203) 302-2432 or [markh@prenticecapital.com](mailto:markh@prenticecapital.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.*

*Additional information about Prentice Capital Management, LP also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

**ITEM 2**  
**MATERIAL CHANGES**

Prentice Capital Management, LP (together with its affiliates and related persons, the "Investment Adviser" or the "Firm") has not made any material changes to this Brochure since its previously filed Brochure dated April 16, 2018.

**ITEM 3**  
**TABLE OF CONTENTS**

ITEM 1 COVER PAGE.....	i
ITEM 2 MATERIAL CHANGES .....	ii
ITEM 3 TABLE OF CONTENTS .....	iii
ITEM 4 ADVISORY BUSINESS .....	1
ITEM 5 FEES AND COMPENSATION .....	2
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	4
ITEM 7 TYPES OF CLIENTS .....	5
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	6
ITEM 9 DISCIPLINARY INFORMATION .....	16
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	17
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	18
ITEM 12 BROKERAGE PRACTICES .....	20
ITEM 13 REVIEW OF ACCOUNTS.....	23
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	24
ITEM 15 CUSTODY .....	25
ITEM 16 INVESTMENT DISCRETION .....	26
ITEM 17 VOTING CLIENT SECURITIES.....	27
ITEM 18 FINANCIAL INFORMATION .....	28

#### **ITEM 4**

#### **ADVISORY BUSINESS**

The Investment Adviser offers investment advisory services to privately placed pooled investment vehicles and separately managed accounts (“SMAs”). The Investment Adviser currently provides investment advisory services to Prentice Capital Long/Short Equity Fund, LP (the “Domestic Fund”) and subadvisory services to Micamold Multi-Manager Fund, LP (“MMMF”) (the Domestic Fund, MMMF and the SMAs are collectively referred to as “Clients”). The Investment Adviser mainly focuses its investment strategy on companies in the U.S. consumer/retail sector. The Investment Adviser was formed in 2005 by its sole owner, Michael Zimmerman, who also serves as the portfolio manager.

The Domestic Fund was launched on October 1, 2009 and pursues a fundamentally-driven, value-oriented research strategy in the U.S. consumer/retail sector, managed in a public long/short equity only portfolio. It is anticipated that the Investment Adviser will be hired by a SMA in the near future, which will result in the addition of approximately \$150,000,000 in regulatory assets under management.

As of May 17, 2018, the Investment Adviser had approximately \$11,000,000 in discretionary assets under management.

The Firm’s subadvisory relationship with MMMF began in July of 2014 and pursues a similar investment strategy to the Domestic Fund. Regarding SMAs, the Firm and each SMA client will negotiate the terms of its relationship and memorialize such terms in its respective investment management agreement.

## **ITEM 5**

### **FEES AND COMPENSATION**

#### The Domestic Fund's Fees and Expenses

##### Management Fee

Investors in the Domestic Fund bear a management fee, payable quarterly in advance, ranging from 0.375% (1.5% per annum) to 0.5% (2% per annum) of the net asset value of such investor's interests. The management fee will be prorated for any capital contribution or withdrawal by an investor that is effective other than as of the first day of a quarter.

##### Incentive Allocation

Generally, at the end of each fiscal year of the Domestic Fund, the Investment Adviser or its affiliates are entitled to an incentive allocation (the "Incentive Allocation") in an amount ranging from 15% to 20% of the net capital appreciation (which includes both realized gains and losses and unrealized appreciation and depreciation of securities) allocated to an investor's capital account for such fiscal year after deducting the management fee debited to such investor's capital account for such fiscal year, subject to a high water mark.

In the event that the Domestic Fund is terminated or an investor withdraws other than at the end of a fiscal year, then for purposes of determining the incentive allocation allocable at such time to the Investment Adviser or its affiliates, net capital appreciation will be determined as if such dates were the end of the fiscal year, subject to certain adjustments. The Investment Adviser may waive, reduce or calculate differently the management fee or incentive allocation with respect to certain investors.

##### Additional Fees and Expenses

The Domestic Fund bears its own expenses including, without limitation, investment-related expenses (*e.g.*, brokerage commissions, research-related expenses (including, news and quotation equipment and services, expenses associated with attending consumer and/or retail conferences and seminars and travel, lodging and other expenses incurred in connection with meeting members of management of existing or prospective investment targets), clearing and settlement charges, custodial fees, interest expenses, expenses relating to consultants, attorneys, brokers or other professionals or advisors who provide research, advice or due diligence services with regard to investments, appraisal fees and expenses and investment banking expenses), computer hardware and software and related technology services (including hardware and software used to route trade orders and hardware and software relating to internal portfolio systems) and expenses associated with installing computers, cable and telephone lines and equipment, investment-related travel expenses, legal expenses, accounting, audit, tax preparation and other tax-related expenses (including preparation costs of financial statements, tax returns and reports to investors), expenses relating to obtaining liability insurance for directors and officers, the Investment Adviser, its affiliates and their respective partners and members, entity-level taxes, organizational expenses, printing and mailing costs, expenses relating to the offer and sale of interests (including travel and other expenses related to meetings with prospective investors), the management fee, administration fees and related costs (including fees to the

administrator), extraordinary expenses and other expenses associated with the operation of the Domestic Fund, as determined by the general partner of the Domestic Fund.

SMA and/or Sub-Advisory Fees and Expenses

SMAs, including funds subadvised by the Firm, where applicable, bear a variable incentive allocation up to 30% of the realized and unrealized gains of the account subject to a high water mark. The incentive allocation is payable upon the end of each fiscal year and will be prorated if the account is terminated prior to year-end.

**ITEM 6**  
**PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Investment Adviser and its affiliates accept performance-based fees from certain clients. However, performance-based fees are charged to Clients in varying amounts. The variation of performance compensation structures among the Investment Adviser's clients may create an incentive for the Investment Adviser to direct the best investment ideas to, or to allocate or sequence trades in favor of, clients that pay or allocate a relatively greater percentage of performance compensation.

Consistent with its fiduciary duty to its Clients, the Investment Adviser allocates investment opportunities equitably among its Clients taking into account such factors as relative amounts of capital available for new investments, relative exposure to market trends, and the investment programs and portfolio positions of the Clients for which participation is appropriate.

**ITEM 7**  
**TYPES OF CLIENTS**

As described above, the Investment Adviser offers investment advice to privately placed pooled investment vehicles as well as separately managed accounts.



## **ITEM 8**

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

#### Methods of Analysis and Investment Strategies

The Investment Adviser pursues a fundamentally-driven investment strategy, with a primary focus on companies operating in the U.S. consumer/retail sector including, but not limited to, companies in the following business segments: hard and soft goods, restaurants, beverages, consumer products, supermarkets, drugstores, footwear, apparel, food, leisure, gaming and lodging. Other businesses fitting broadly within, or sharing operating characteristics with, the U.S. consumer/retail sector may be covered by the Investment Adviser in the future. The Investment Adviser applies this approach to both its long/short strategy and to other Clients.

The Investment Adviser employs a fundamentally driven, value-based approach in its investment activities, with a particular emphasis on "grass roots" research that seeks to evaluate a company's operating performance and includes meetings with management, channel checks, store visits, trade shows and other related events. While the Investment Adviser uses a "bottom-up" research process to create a fundamental understanding of companies and business segments of interest, it also pays attention to general macro-economic and financial market conditions as additional points of reference in the construction of the portfolio. The Investment Adviser has knowledge of the companies and trading relationships that comprise its area of specialization and is attuned to event-driven opportunities, including competitive restructurings, competitive shifts, management changes and industry consolidations.

The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

#### Material, Significant, or Unusual Risks Relating to Investment Strategies.

Limited Diversification. The Investment Adviser may cause its Clients at times relatively large concentrations in a particular market, industry, sector, geographic region or financial instrument. This limited diversification could expose the Clients to losses disproportionate to market movements in general. Although it is anticipated that the Clients' portfolios will generally consist of 40 to 60 core investment positions, the Clients' portfolios are expected to be concentrated in the U.S. consumer/retail sector. The risk of loss is greater than if the Clients' portfolios were invested among various sectors.

Investments in Undervalued Securities. One of the primary strategies of the Investment Adviser is to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that

such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Investment Adviser's investments may not adequately compensate for the business and financial risks assumed.

The Investment Adviser may make certain speculative investments in financial instruments that it believes to be undervalued; however, there are no assurances that the financial instruments purchased will in fact be undervalued. In addition, the Clients may be required to hold such financial instruments for a substantial period of time before realizing their anticipated value. During this period, a portion of the Clients' capital would be committed to the financial instruments purchased, thus possibly preventing the Clients from investing in other opportunities. In addition, the Clients may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Non-U.S. Investments. The Investment Adviser may cause the Clients to invest in financial instruments of non-U.S. corporations and governments. Investing in the financial instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, gross sale or disposition proceeds or other income, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Clients' investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, Clients may be unable to structure their transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce Clients' rights in such markets.

Small and Medium Capitalization Companies. The Investment Adviser will cause the Clients to invest a portion of their assets in the securities of companies with small to medium-sized market capitalizations. While the Investment Adviser believes such securities may provide significant potential for appreciation, those stocks, particularly small-capitalization stocks, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid. Additionally, small- and medium-capitalization companies may have poorer access to capital market (financing risks), shorter operating histories and/or less proven or capable management teams.

Highly Volatile Markets; FX Risk. Price movements of forward and other derivative contracts in which the Clients' assets may be invested can be highly volatile and are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene in certain markets, directly and by regulation, particularly in currencies, futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert. The Investment Adviser may make certain speculative investments in currencies which it believes to be undervalued; however, there are no assurances that the currencies purchased will in fact be undervalued. In addition, the Clients may be required to hold such currencies for a substantial period of time before realizing their anticipated value. During this period, a portion of the Clients' assets will be committed to the currencies purchased, thus possibly preventing the Clients from investing in other opportunities. The Clients are subject to the risk of failure of any of the exchanges on which its positions trade or of its clearinghouses.

Liquidity of Futures Contracts. The value of futures depends upon the price of the securities underlying them. The prices of futures are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures are also subject to the risk of the failure of any of the exchanges on which the Clients' positions trade or of its clearing houses or counterparties.

Forward Trading. The Investment Adviser may enter into over-the-counter forward contracts on behalf of the Clients for the trading of certain futures interests, such as currencies and interest rates, through U.S. and non-U.S. national or local banks and currency and rates dealers. A forward contract is a contractual obligation to buy or sell a specified quantity of a security or commodity at or before a specified date in the future at a specified price and, therefore, is similar to a futures contract. Banks and dealers act as principals in such markets. Banking authorities generally do not regulate trading in forward contracts. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of the Clients. In its forward trading, the Clients will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Clients may trade. Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Investment Adviser may order trades for Clients in such markets through agents. Market illiquidity or disruption could result in significant losses to Clients. Accordingly, the insolvency or bankruptcy of such parties could also subject Clients to the risk of loss.

Leverage and Borrowing Risks. The Investment Adviser has the power to borrow funds on behalf of the Clients and may do so to enhance Client returns and meet withdrawals that would otherwise result in the premature liquidation of investments. Clients may borrow funds from brokers, banks and other lenders to finance its trading operations. The use of such leverage can, in certain circumstances, maximize the losses to which the Clients' investment portfolios may be subject. Such leverage, which may be substantial, may be achieved through, among other methods, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements, swaps and other financial instruments that are inherently leveraged. The access to capital could be impaired by many factors, including market forces or regulatory changes.

Short Selling. The Clients' investment portfolio may include short positions. Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in securities prices or to attempt to hedge related long positions in other securities or derivative instruments of the same issuer or a different issuer. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position or a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

Loans of Portfolio Securities. The Investment Adviser may cause Clients to lend their portfolio securities. By doing so, the Investment Adviser attempts to increase income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, Clients could experience delays in recovering the loaned securities. To the extent that the value of the securities the Client lent has increased, the Client could experience a loss if such securities are not recovered.

Hedging Transactions. The Investment Adviser may utilize financial instruments such as forward contracts, currency options and interest rate swaps, caps and floors to seek to hedge against fluctuations in the relative values of their portfolio positions as a result of changes in currency exchange rates and market interest rates. The Investment Adviser may also utilize securities, both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of the Clients' investment portfolios resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Clients' unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in a Client's portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Clients' securities; (vii) protect against any increase in the price of any securities a Client anticipates purchasing at a later date; or (viii) act for any other reason that the Investment Adviser deems appropriate. Clients will not be required to hedge any particular risk in connection with a particular transaction or a portfolio generally. While Clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a Client than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that may not be hedged. The success of the Investment Adviser's hedging transactions is subject to the Investment Adviser's ability correctly to predict movements in the direction of currency and interest rates.

Trading Decisions Based on Fundamental and Other Analysis. Trading decisions made by the Investment Adviser are based on fundamental, technical and other analysis. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernable trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisors' trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated. No assurance can be given that the Clients' strategies will be successful under all or any market conditions.

Risks Associated With Particular Types of Securities.

Equity Risks. Clients will invest in equity and equity-linked securities. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, Clients may suffer losses if they invest in equity securities of issuers whose performance diverges from the Investment Adviser's expectations or if equity markets generally move in a single direction and the Clients have not hedged against such a general move.

Less Liquid Instruments. Liquidity is important to the Investment Adviser's business. Under certain market conditions, such as during volatile markets or when trading in an instrument or market is otherwise impaired, the liquidity of the Clients' relatively liquid portfolio positions may be reduced. During such times, Clients may be unable to dispose of certain assets, which would adversely affect a Client's ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force Clients to dispose of assets at reduced prices, thereby adversely affecting the Clients' performance. If there are other market participants seeking to dispose of similar assets at the same time, Clients may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if Clients incur substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In conjunction with a market downturn, Clients' counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Clients' credit risk to them. Many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, liquidity may be reduced for the Clients' non-U.S. investments.

Convertible Securities. Clients may invest in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii)

provide the potential for capital appreciation if the market price of the underlying common stock increases.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Clients is called for redemption, Clients will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Clients' ability to achieve their investment objective.

Stock Index Options. Clients may purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing its investment objectives or for the purpose of hedging its portfolio. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in the Clients' portfolios correlate with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether Clients will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by Clients of options on stock indices will be subject to Investment Adviser's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Swap Agreements. Clients may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Client's exposure to long-term or short-term interest rates (in the United States or abroad), foreign currency values, corporate borrowing rates, commodity prices, or other factors such as security prices, baskets of equity securities or inflation rates. Swaps may also be used to obtain leverage. In connection with swap agreements, cash or securities may be posted to or received from the swap counterparty in accordance with the terms of the swap agreement. The Client earns or pays interest on cash posted or received as collateral. Cash posted as collateral is required to be returned by the counterparty and is classified as restricted in terms of use and marketability. Cash received as collateral is required to be returned to the counterparty. Although classified as restricted, cash held as collateral is not held separately and may be used by the holder in its normal operations. Swap agreements can take many different forms and are known by a variety of names. Clients are not limited to any particular form of swap agreement if consistent with the Client's investment objective and policies.

Investments in Unlisted Securities. Although the Clients invest primarily in listed securities, they may invest in unlisted securities of U.S. and non-U.S. companies. Because of the absence of any trading market for these investments, it may take longer to liquidate, or it may not be possible to liquidate, these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid by the Clients. Further, companies whose securities are not publicly traded may not be subject to

public disclosure and other investor protection requirements applicable to publicly traded securities. In the event there is no trading market for these investments, the Investment Adviser values such investments based either on consistently applied objective standards, such as indications from unaffiliated brokers, an independent appraisal or in accordance with other procedures it deems reasonable.

Equity Swaps. Clients may make use of equity swaps. A swap is a contract under which two parties agree to make periodic payments to each other based on the value of a security, specified interest rates, an index or the value of some other instrument, applied to a stated or "notional" amount. An equity swap is a customized derivative instrument that entitles the counterparty to certain payments on the gain or loss on the value of an underlying equity security. Equity swaps are subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk.

Credit Default Swaps. Clients may invest in Credit Default Swaps ("CDS") transactions, including, without limitation, index CDS, for hedging purposes. The "buyer" in a credit default contract is obligated to pay the "seller" a periodic stream of payments over the term of the contract provided that no event of default on an underlying obligation has occurred. If a "credit event" occurs, the seller must pay the buyer the full notional value, or "par value," of the obligation. CDS transactions are either "physical settled" or "cash settled." Physical settlement entails the actual delivery by the buyer of the reference asset to the seller in exchange for the payment of the full par value of the reference asset. Cash settled entails a net cash payment from the seller to the buyer based on the difference of the par value of the reference asset and the current market value of the reference asset. Clients may be either the buyer or seller in a CDS transaction.

CDS can be used to address the perception of the Investment Adviser that a particular credit, or group of credits, may experience credit improvement or deterioration. In the case of expected credit improvement, Clients may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Client to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Client may also buy credit default protection with respect to a reference entity if, in the judgment of the Investment Adviser, there is a high likelihood of perceived credit deterioration or for risk management purposes. In such instance, the Client will pay a premium regardless of whether there is a credit event.

If the Client is a buyer and no credit event occurs, the Client will have made a series of periodic payments and recover nothing of monetary value. However, if a credit event occurs, the Client (if the buyer) will receive the full notional value of the reference obligation either through a cash or physical settlement. As a seller, the Client receives a fixed rate of income throughout the term of the contract, which typically is between six months and five years (but may be longer), provided that there is no credit event. CDS transactions may involve greater risks than if the Client had invested in the reference obligation directly. The CDS market in high yield securities is comparatively new and rapidly evolving compared to the CDS market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid and it may be difficult to exit or enter into a particular transaction. In addition, CDS carry, like all derivative contracts, the additional risk that even if the value of the CDS contract increases, the counterparty to the CDS trade may default on its obligation to pay the amount due.

Repurchase and Reverse Repurchase Agreements. Clients may enter into repurchase and reverse repurchase agreements. When a Client enters into a repurchase agreement, it "sells" securities to a broker-dealer or financial institution, and agrees to repurchase such securities on a mutually agreed date for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, the Client "buys" securities issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the Client, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by a Client involves certain risks. For example, if the seller of securities to a Client under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Client will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Client's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Client may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the Client may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

Other Derivative Instruments. Clients may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Clients and legally permissible. Special risks may apply to instruments that are invested in by a Client in the future that cannot be determined at this time or until such instruments are developed or invested in by the Client. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

Fixed Income Securities. Clients may invest in bonds or other fixed income securities of U.S. and non-U.S. issuers, including, without limitation, bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by a sovereign government or one of its agencies or instrumentalities; and commercial paper, some of which may have speculative characteristics. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Client invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*e.g.* credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*e.g.*, market risk). A major economic recession could severely disrupt the market for most of these securities and may have an adverse impact on the value of such instruments.

Currency Exchange Exposure. Clients may invest a portion of its assets in the securities of non-U.S. issuers and other instruments denominated in non-U.S. currencies, the



prices of which are determined with reference to currencies other than the U.S. dollar. Clients, however, value their securities and other assets in U.S. dollars. Clients may or may not seek to hedge their non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when a Client wishes to use them, or that hedging techniques employed by Clients will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all.

Trading Non-U.S. Currencies. Clients may trade currencies in the interbank market, a network of commercial banking institutions in the United States, France, Britain, Germany, Japan, Switzerland and other nations that make markets in non-U.S. currencies on a continuous basis during the banking day. Investments in these currencies involve the general risks associated with non-U.S. investments. Furthermore, the interbank market is not directly regulated by any United States or other government agency and trading therein may involve certain risks not applicable to trading on U.S. and non-U.S. exchanges. There is no limitation on daily price moves of contracts traded through banks. Banks and dealers may require Clients to deposit margin with respect to such trading. Banks and dealers are not required to continue to make markets in currencies. There have been periods during which certain banks have refused to quote prices for currency contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. The imposition of credit controls by government authorities might limit such trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of the Clients. In respect of such trading, Clients will be subject to the risk of bank failure or the inability of or refusal by a bank to perform with respect to such contracts. Most, if not all, of these contracts are directly affected by changes in interest rates. The effects of governmental intervention also may be particularly significant at certain times in the interbank market.

Currency Trading Is Highly Leveraged. The general absence of high margins on currency contracts and the low cost of carrying cash positions can result in an extremely high degree of leverage. A relatively small price movement, therefore, in a currency contract could result in immediate and substantial losses to the investor. Like other leveraged investments, any purchase or sale of currency contracts may result in losses in excess of the amount invested in those contracts. Clients may lose more than their initial margin deposit on a trade.

Cybersecurity Risks. The Investment Adviser's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Investment Adviser has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Investment Adviser may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Firm's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to Clients (and the beneficial owners of the Clients). Such a failure could harm the Investment Adviser's reputation or subject it or its affiliates to legal claims and

otherwise affect their business and financial performance. Additionally, any failure of the Investment Adviser's information, technology or security systems could have an adverse impact on its ability to manage Client accounts referred to herein.

*The foregoing risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by the Investment Adviser. These risk factors include only those risks the Investment Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Investment Adviser.*

**ITEM 9**  
**DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a Client's or prospective client's evaluation of the Investment Adviser's advisory business or the integrity of the Investment Adviser's management.

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Broker-Dealer Registration Status

The Investment Adviser and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status

The Investment Adviser and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

Material Relationships or Arrangements with Industry Participants

The Investment Adviser serves as the management company to several privately placed pooled investment vehicles as described above. Related persons that are under common control with the Investment Adviser serve as the general partner or management company to the Domestic Fund.

Material Conflicts of Interest Relating to Other Investment Advisers

The Investment Adviser does not recommend or select other investment advisers for its Clients.

## **ITEM 11**

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### Code of Ethics

The Investment Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Investment Adviser has adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of the Domestic Fund, including its investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

Clients may request a copy of the Code by contacting the Investment Adviser at the address or telephone number listed on the first page of this document.

#### Securities That You or a Related Person Has a Material Financial Interest

##### **Cross Trades**

The Investment Adviser may determine that it would be in the best interests of certain Clients to transfer a security from one Client to another (each such transfer, a "Cross Trade") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the clients, or to reduce transaction costs that may arise in an open market transaction. If the Investment Adviser decides to engage in a Cross Trade, the Investment Adviser will determine that the trade is in the best interests of each Client involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Clients.

The Investment Adviser generally executes Cross Trades with the assistance of a broker-dealer who executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a Cross Trade between two Clients may occur as an "internal cross", where the Investment Adviser instructs the custodian for the Clients to book the transaction at the price determined in accordance with the Investment Adviser's valuation

policy. If the Investment Adviser effects an internal cross trade, the Investment Adviser will not receive any fee in connection with the completion of the transaction.

### **Principal Transactions**

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a Client by the Investment Adviser or its personnel, the Investment Adviser will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of investors in such a Client and approved or disapproved by (i) an advisory board comprised of representatives of such investors; (ii) a committee consisting of one or more persons selected by the Investment Adviser (or its affiliate), and any valuation approved by such a committee will be determined by an independent third party that has appropriate experience in providing such valuations; or (iii) investors in the relevant Clients.

### **Investing in Securities That You or a Related Person Recommends to Clients.**

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Investment Adviser on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. Generally, and subject to certain exceptions, the Investment Adviser's employees may not engage in personal securities trading and may only dispose of securities held in their respective personal trading accounts. Any such disposition of securities must be pre-cleared. However, employees may purchase and sell mutual funds and broad-based exchange-traded funds ("ETFs"). Some clients may invest in the same or similar mutual funds and ETFs.

The Investment Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

### **Conflicts of Interest Created by Contemporaneous Trading**

The Investment Adviser manages investments on behalf of a number of Clients. Certain clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. It is the policy of the Investment Adviser to allocate investment opportunities among all clients fairly, to the extent practical and in accordance with each client's applicable investment strategies, over a period of time. As described above, the Investment Adviser allocates investment opportunities among the Clients equitably, consistent with its allocation policies.

## **ITEM 12**

### **BROKERAGE PRACTICES**

#### Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.

In placing orders to purchase and sell securities for clients, the Investment Adviser considers a number of factors in selecting appropriate broker-dealers, including execution capability, commission rates, financial responsibility, the value of research provided, and responsiveness to the Investment Adviser and its Clients. In order to ensure best execution, the Investment Adviser has established a Compliance Committee. The Compliance Committee meets on a periodic basis, which will be no less frequently than quarterly, and is responsible for developing, evaluating and changing when necessary the Investment Adviser's order execution practices. The Compliance Committee will monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Investment Adviser and the Clients.

The Investment Adviser will place trades for execution only with approved brokers or dealers. The factors to be considered in selecting and approving brokers-dealers that may be used to execute trades for Client accounts include, but are not limited to:

- Quality of execution - accurate and timely execution, clearance and error/dispute resolution
- Reputation, financial strength and stability
- Block trading and block positioning capabilities
- Willingness to execute difficult transactions
- Willingness and ability to commit capital
- Access to underwritten offerings and secondary markets
- Ongoing reliability
- Overall costs of a trade (*i.e.*, net price paid or received) including commissions, mark-ups, mark-downs or spreads in the context of the Firm's knowledge of negotiated commission rates currently available and other current transaction costs
- Nature of the security and the available market makers
- Desired timing of the transaction and size of trade
- Confidentiality of trading activity
- Market intelligence regarding trading activity
- The receipt of brokerage or research services

## **Research and Other Soft Dollar Benefits**

Portfolio transactions for the Clients will be allocated to brokers on the basis of best execution and in consideration of a broker's ability to effect the transactions, its facilities, reliability and financial responsibility and the provision or payment by the broker of the costs of research and research-related services which are of benefit to the Investment Advisers and its Clients. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Clients by brokers in the foregoing circumstances may be higher than those charged by other brokers who may not offer such services. The use of commission or "soft" dollars (or dealer markups and markdowns arising in connection with riskless principal transactions) for research and research-related services will come within the safe harbor for the use of soft dollars provided under Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by one or more Client may be used by the Investment Adviser to service one or more other Clients, including Clients that may not have paid for the soft dollar benefits. The Investment Adviser does not seek to allocate soft dollar benefits to the Clients in proportion to the soft dollar credits they generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Investment Adviser (i.e., a "mixed use" item), the Investment Adviser will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Investment Adviser's allocation of the costs of such benefits and services between those that primarily benefit the Investment Adviser and those that primarily benefit the Clients.

When the Investment Adviser uses Client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Investment Adviser receives a benefit because it does not have to produce or pay for such products or services. The Investment Adviser may have an incentive to select or recommend a broker-dealer based on the Investment Adviser's interest in receiving research or other products or services, rather than on its Clients' interest in receiving most favorable execution.

Within the last fiscal year, the Investment Adviser or its related persons acquired the following types of products and services with Client brokerage commissions (or markups or markdowns): research and research-related services, services with respect to trading, operations, and technology, and periodic access to company management.

Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Investment Adviser make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.



## **Brokerage for Client Referrals**

Neither the Investment Adviser nor any related person receives client referrals from any broker-dealer or third party. However, as discussed above, subject to best execution, the Investment Adviser may consider, among other things, capital introduction and marketing assistance with respect to investors in the Domestic Fund in selecting or recommending broker-dealers for the Domestic Fund.

## **Directed Brokerage**

The Investment Adviser does not recommend, request or require that a Client direct the Investment Adviser to execute transactions through a specified broker-dealer.

## **Order Aggregation.**

Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more Clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for the Investment Adviser generally arise when more than one Client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. The Investment Adviser is not required to aggregate Client trades, however, it will generally do so, subject to best execution. When aggregating orders, the Investment Adviser must treat all Clients in a fair and equitable manner. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Investment Adviser. As a result, certain trades in the same security for one Client (including a Client in which the Investment Adviser and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another Client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

### **ITEM 13**

#### **REVIEW OF ACCOUNTS**

The Investment Adviser performs various ongoing reviews and analyses of Client portfolios and investments. Such reviews are conducted by the relevant personnel on a case by case basis.

The Investment Adviser generally provides annual audited financial statements to investors in the Domestic Fund within 120 days of the Domestic Fund's fiscal year end. Additionally, investors in the Domestic Fund, receive monthly capital account statements from its independent administrator or the Investment Adviser, as well as monthly, quarterly or annual portfolio statistics summaries, and quarterly letters from the Investment Adviser.

With regard to SMAs, such accounts are reviewed, at least on a monthly basis to assure conformity with the SMA client's objectives and guidelines. In addition, SMA accounts are reviewed in light of emerging trends and developments as well as market volatility. SMA clients are responsible for keeping the Firm informed as to any changes in their financial condition. The Firm cannot make any material changes to a SMA client's portfolio if it is not informed of such SMA client's particular developments. Monthly, quarterly and/or annual reports covering an SMA account's holdings and activity will be provided by the SMA client's custodian firm. These reports, including trade confirmations and/or monthly statements, will typically identify the account holdings and a current valuation of such holdings. The Firm will be available to assist any SMA client in reviewing and understanding such reports.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

The Firm does not receive any economic benefit associated with advising Clients, such as sales awards or prizes. The Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce Clients to the Firm, provided that any such fee or commission will be paid solely by the Firm or its affiliates and no portion thereof will be paid by Clients. The Firm may use independent third party solicitors to refer Clients and pay a portion of its advisory fees to such solicitors, in accordance with the Advisers Act.

## **ITEM 15 CUSTODY**

The Investment Adviser is deemed to have custody of Domestic Fund assets and securities because it has the authority to obtain Domestic Fund assets or securities, for example, by deducting advisory fees from the Domestic Fund's account or otherwise withdrawing assets from the Domestic Fund's account. The Investment Adviser does not have custody of SMA assets and securities for SMAs or funds that it sub-advises. Account statements related to the Clients are sent by qualified custodians to the Investment Adviser.

The Investment Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to the Domestic Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that the Domestic Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

**ITEM 16**  
**INVESTMENT DISCRETION**

The Investment Adviser serves as the management company with discretionary trading authority to each Client.

The Investment Adviser's investment decisions and advice with respect to each Client are subject to each Client's investment objectives and guidelines, as set forth in its offering documents or management agreement.

The Investment Adviser or an affiliate of the Investment Adviser entered into an investment management agreement, or similar agreement, with each Client, pursuant to which the Investment Adviser or an affiliate of the Investment Adviser was granted discretionary trading authority.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

The Investment Adviser has authority to vote proxies on behalf of the Domestic Fund. The Investment Adviser does not have authority over proxies with respect to MMMF. The Investment Adviser, generally, does not accept authority to vote proxies on behalf of SMAs, but may agree to do so at the sole discretion of the Investment Adviser and memorialize such agreement in the investment management agreement of the relevant SMA.

In compliance with Advisers Act Rule 206(4)-6, the Investment Adviser has adopted proxy voting policies and procedures with respect to Clients for whom the Investment Adviser has accepted proxy voting authority. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies") in a prudent and diligent manner that will serve the applicable Client's best interests and is in line with each Client's investment objectives.

The Investment Adviser may take into account all relevant factors, as determined by the Investment Adviser in its discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

In limited circumstances, the Investment Adviser may refrain from voting Proxies where the Investment Adviser believes that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to its Clients. Generally, Clients may not direct the Investment Adviser's vote in a particular solicitation.

Conflicts of interest may arise between the interests of the Clients on the one hand and the Investment Adviser or its affiliates on the other hand. If the Investment Adviser determines that it may have, or is perceived to have, a conflict of interest when voting Proxies, the Investment Adviser will vote in accordance with its Proxy voting policies and procedures. Clients may obtain a copy of the Investment Adviser's Proxy voting policies and its Proxy voting record upon request.

**ITEM 18**  
**FINANCIAL INFORMATION**

The Investment Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.