

**Item 1. Cover Page**

**Brochure of**  
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This brochure provides information about the qualifications and business practices of Blue Sparrow Partners LP (“**Blue Sparrow**”). If you have any questions about the contents of this brochure, please contact us at Telephone: (415) 634-7977 or julia@bluesparrowpartners.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 Blue Sparrow also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Material Changes**

Not applicable.

**Item 3. Table of Contents**

	<b>Page</b>
Item 1. Cover Page.....	1
Item 2. Material Changes .....	1
Item 3. Table of Contents.....	2
Item 4. Advisory Business .....	3
Item 5. Fees and Compensation.....	3
Item 6. Performance-Based Fees and Side-By-Side Management.....	5
Item 7. Types of Clients .....	5
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9. Disciplinary Information .....	11
Item 10. Other Financial Industry Activities and Affiliations .....	11
Item 11. Code of Ethics, Participation or Interest In Client Transactions and Personal Trading .....	11
Item 12. Brokerage Practices.....	13
Item 13. Review of Accounts.....	17
Item 14. Client Referrals and Other Compensation.....	17
Item 15. Custody.....	17
Item 16. Investment Discretion .....	17
Item 17. Voting Client Securities .....	17
Item 18. Financial Information.....	18
Item 19. Requirements for State-Registered Advisers.....	18
Privacy Policy .....	18

#### **Item 4. Advisory Business**

Blue Sparrow is a Delaware limited partnership formed in 2017. Blue Sparrow's founder, controlling owner and managing partner is Dror Bar-Ziv. Blue Sparrow's affiliate, Blue Sparrow GP LLC, a Delaware limited liability company, serves as Blue Sparrow's general partner.

Blue Sparrow currently serves as the investment adviser to Blue Sparrow Onshore Fund LP, a Delaware limited partnership (the "**Master Fund**"). Blue Sparrow Offshore Fund LP, a Cayman Islands exempted limited partnership (the "**Offshore Feeder**", and together with the Master Fund, the "**Funds**") invests indirectly in securities through the Master Fund. Blue Sparrow's affiliate, Blue Sparrow Funds GP LLC, a Delaware limited liability company ("**Blue Sparrow GP**"), serves as the general partner of the Master Fund and the Offshore Feeder.

The Master Fund is available for direct investment primarily by taxable U.S. investors that are "qualified purchasers" so that it can rely on section 3(c)(7) of the Investment Company Act of 1940, as amended ("**ICA**"). The Offshore Feeder is available for investment primarily by non-U.S. investors and U.S. tax-exempt investors that are "qualified purchasers" so that it also can be excluded from the definition of an "investment company" under ICA section 3(c)(7).

Blue Sparrow also serves as the adviser to certain managed accounts.

Blue Sparrow is a newly formed investment adviser and, therefore, currently has no assets under management.

Blue Sparrow generally invests on behalf of its clients principally, but not solely, in equity and equity-related securities that are traded publicly in U.S. and non-U.S. markets. Blue Sparrow is generally authorized, however, to enter into any type of investment transaction that it deems appropriate under the terms of the client's partnership or other account agreement. Blue Sparrow selects all investments and strategies, and investors have no opportunity to select or evaluate any investments or strategies.

Blue Sparrow typically does not tailor its services to the individual needs of managed accounts, but manages each such account according to the strategy selected by the client.

#### **Item 5. Fees and Compensation**

Fees and Allocations Generally. The Funds, the investors in the Funds, and each managed account client are "qualified purchasers" as defined in ICA section 2(a)(51)(A). Therefore, information on how Blue Sparrow is compensated for its advisory services and its fee schedule is not included here. Blue Sparrow's compensation is negotiable and varies, and is disclosed in each Fund's confidential offering circular or private offering memorandum or in each account agreement with managed accounts.

Funds. Blue Sparrow GP serves as the general partner of the Master Fund and the Offshore Feeder. As general partner, Blue Sparrow GP deducts directly from the Master Fund management fees, which it has assigned to Blue Sparrow, and is allocated management allocations and performance-based profits allocations. Investors pay these management fees, management allocations and

performance allocations directly and indirectly through their investments in the Master Fund and the Offshore Feeder.

Management fees are deducted in advance on the first day of each fiscal quarter. Management allocations are made as of the last day of each fiscal quarter or at the time of an investor's withdrawal or redemption. Performance allocations are allocated at the end of each fiscal year or at the time of an investor's withdrawal or redemption. Generally, if a Fund terminates or an investor withdraws or redeems, the investor (through the Master Fund) bears expenses, the management fees, management allocations and performance allocations through the date of termination or withdrawal or redemption. If an investor withdraws or redeems from a Fund on a date other than a "Permitted Withdrawal Date" (as defined in each Fund's confidential offering circular or private offering memorandum), however, there is no refund to that investor of any management fee that it previously paid for the applicable fiscal quarter.

Managed Accounts. Blue Sparrow's managed account compensation is negotiable and varies, but typically, it charges an annual fee based on a percentage of assets under management, which amount is typically payable in quarterly installments at the beginning (depending on the provisions of each client's account agreement) of each calendar quarter based on the net market value of each client's account on the date the fee accrues and becomes payable. Blue Sparrow also typically receives from each managed account a performance fee based on a percentage of net profits of the account (including both realized and unrealized gains and losses). Performance fees are assessed in arrears on a periodic basis (generally annually, but as defined in the applicable account agreement), and are only applied to the portion of profits that exceed the cumulative losses previously incurred by clients

Blue Sparrow typically deducts management fees and performance fees directly from client accounts, but may bill a client for such amounts on request as described in the applicable account agreement.

Other Fee Provisions. Blue Sparrow provides certain investors or clients special fee and allocation arrangements that it does not provide to other investors or clients. Blue Sparrow may waive all or any portion of the management fees or performance fees or allocations with respect to any investor or client.

Blue Sparrow complies with Rule 205-3 under the Investment Advisers Act of 1940, if required. Performance allocations rules may create an incentive for Blue Sparrow to make more risky and speculative investments than it would otherwise make.

Blue Sparrow believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees.

Expenses. Each client is responsible for its own costs and expenses, including trading costs and expenses (such as brokerage commissions, expenses related to short sales and clearing and settlement charges), and, if applicable with respect to the particular type of client, ongoing legal, accounting, bookkeeping, professional, expert and consulting fees and expenses, and, the fees and expenses charged by the client's administrator for its accounting, bookkeeping and other services.

Blue Sparrow and Blue Sparrow GP each bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above. Securities brokerage firms and futures commission merchants (“FCMs”) that execute securities trades for the accounts, however, may pay part of these costs and expenses, as discussed in Item 12 below.

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

Blue Sparrow currently manages only the Funds and accounts all of which pay performance-based compensation. Blue Sparrow does not manage client accounts that do not pay performance-based compensation.

#### **Item 7. Types of Clients**

Blue Sparrow provides investment advice to investment funds and managed accounts. Investors in the Master Fund and the Offshore Feeder are required to invest at least \$10,000,000. Blue Sparrow may waive this minimum. Blue Sparrow generally requires a minimum of \$100,000,000 to open managed account, but may waive this minimum

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

##### Investment Strategy

Blue Sparrow’s general investment objective is to compound capital at high risk-adjusted rates.

To implement the objective for the Funds, the Master Fund invests in and trades (long and short) securities, consisting principally, but not solely, of equity and equity-related securities that are traded publicly in U.S. and non-U.S. markets. The Master Fund also may invest in options (including covered and uncovered puts and calls and over-the-counter options), futures (including index futures and options on futures), exchange-traded funds, preferred stocks, convertible securities, warrants, rights, swaps and other derivative instruments, bonds and other fixed income securities, private securities, non-U.S. currencies, other commodity interests and money market instruments. The Master Fund also may engage in margin trading, hedging and other investment strategies.

Subject to each account agreement and any strategy selected by the applicable client, separate accounts as typically invested in securities, consisting principally, but not solely, of equity and equity-related securities that are traded publicly in U.S. and non-U.S. markets. The accounts typically also may invest in options (including covered and uncovered puts and calls and over-the-counter options), futures (including index futures and options on futures), exchange-traded funds, preferred stocks, convertible securities, warrants, rights, swaps and other derivative instruments, bonds and other fixed income securities, private securities, non-U.S. currencies, other commodity interests and money market instruments. The accounts also may engage in margin trading, hedging and other investment strategies.

The investment strategy summarized above represents Blue Sparrow’s current intentions, is general in nature and is not exhaustive. Generally, there are no limits on the types of securities in which Blue Sparrow may take positions on behalf of its clients, the types of positions that it may

take, the concentration of its investments or the amount of leverage that it may use. Generally, Blue Sparrow may use any trading or investment techniques, whether or not contemplated by the expected investment strategy described above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, Blue Sparrow may pursue any objectives or use any techniques that it considers appropriate and in the applicable client's interest.

### Risk Factors

Investing in securities involves risk of loss that investors and clients should be prepared to bear. Below are brief summaries of some of the risks that investors and clients should consider before investing in any Fund or account that Blue Sparrow manages. Any or all of these risks could materially and adversely affect investment performance, the value of a Fund or any account or any security held by that Fund or account, and could cause investors or clients to lose substantial amounts of money. Potential investors should review the applicable Fund's offering circular or private offering memorandum carefully and in its entirety, and consult with their professional advisers before deciding to invest. Potential managed account clients should carefully review the applicable account agreement. The risks described below also generally apply to managed accounts. A potential investor or client should discuss with Blue Sparrow's representatives any questions that such person may have before investing.

#### *Risks Associated with Blue Sparrow's Investment Strategy*

- Client accounts may not achieve their investment objectives. A strategy may not be successful and investors or clients may lose some or all of their investments.
- Investor sentiment on the market, an industry, technology or an individual stock, bond, fixed-income security or other security or commodity is unpredictable and can adversely affect an account's investments.
- An account may hold stocks that disappoint earnings expectations and decline, and may short stocks that beat earnings expectations and rise.
- Blue Sparrow may not be able to obtain complete or accurate information about an investment and it may misinterpret the information that it does receive. Blue Sparrow also may receive material, non-public information about an issuer that prevents it from trading securities of that issuer for an account when the account could make a profit or avoid losses.
- Blue Sparrow intends to sell securities short for most accounts, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase. At times an account may have a substantial net short position. Given the general upward trend of the securities markets over time, this short exposure poses a significant risk to investors.
- Management and stockholders of an issuer may sue short sellers to deter short sales of the issuer's securities. Blue Sparrow could be subject to such actions, even if they are baseless, and the applicable accounts could incur substantial costs defending them.

- To make a short sale, Blue Sparrow must borrow the securities being sold short. It may be impossible to borrow securities at the most desirable time to make a short sale, particularly in illiquid securities markets.
- If the prices of securities sold short increase, an account may need to provide additional funds or collateral to maintain its short positions. This could require the account to liquidate other investments to provide additional collateral. Such liquidations might not be at favorable prices.
- An account may take positions in securities of small, unseasoned companies that are less actively traded and more volatile than those of larger companies.
- An account may invest in a relatively limited number of investments, so aggregate returns realized by it may be substantially affected by the unfavorable performance of a small number of such investments. Any concentration in a particular industry, security, issuer or country will make an account more susceptible to fluctuations in value and losses resulting from adverse economic conditions affecting that particular industry, security, issuer or country.
- Blue Sparrow may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. Blue Sparrow typically is not for managed accounts, and with respect to the Funds is not, obligated to hedge an account's portfolio positions, and it frequently may not do so.
- An account may use leverage by borrowing on margin, selling securities short and trading futures, other commodity interests and derivatives, which increases volatility and risk of loss. These instruments can be difficult to value. An incorrect valuation could result in losses.
- An account may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.
- Counterparties such as brokers, dealers, FCMs, custodians and administrators with which Blue Sparrow does business on behalf of an account may default on their obligations. For example, an account may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- An account may enter into repurchase agreements or reverse repurchase agreements. These instruments can have effects similar to margin trading and leveraging strategies.
- Blue Sparrow may invest in fixed income securities that are subject to interest rate risk, inflation rate risk, limited liquidity risk and other risks.
- An account may invest in securities of non-U.S., private and government issuers. The risks of these investments include political risks, risks associated with the economic conditions and legal systems of the country in which the issuer is located, limitations on foreign

investment in any such country, currency exchange risks, withholding taxes, more limited information about the issuer, limited liquidity and limited regulatory oversight.

- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in certain parts of the world have fluctuated significantly, resulting in volatile securities markets and periodic large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to the accounts.
- An account may invest in, or sell short the securities of, companies which are supported by government incentives or regulations. Termination of or changes in such government incentives or regulations may adversely affect such companies, and Blue Sparrow may fail to predict such changes.
- While an account may acquire a large position in an issuer's securities, the account is nevertheless unlikely to have any control over the issuer's management. In addition, if the account holds a large position of an issuer's securities, its subsequent sale of all or any part of that position could depress the market for those securities.
- Some of the accounts' positions may be or become illiquid, in which case Blue Sparrow may not be able to sell these positions and investors in the Fund may be unable to withdraw or redeem capital associated with these positions and managed accounts may be unable to sell the positions.
- An account may invest in restricted securities that are subject to long holding periods or that are not traded in public markets. These securities are difficult or impossible to sell at prices comparable to the market prices of similar publicly-traded securities and may never become publicly traded.
- An account may invest in other investment entities. The account would bear all of the costs of such investment entities in addition to the account's own costs, which may result in investors or clients paying two levels of expenses and advisory fees.
- An account may have higher portfolio turnover and transaction costs than a similar account managed by another investment adviser. These costs reduce investments and potential profit or increase loss.
- Blue Sparrow typically determines the value of securities and commodities held in an account (including for the Funds), whether or not a public market exists for those instruments. If Blue Sparrow's valuation is inaccurate, among other possible consequences, it might receive more compensation than it is entitled to, and with respect to the Funds, a new investor might receive an interest or share that is worth more/less than the investor paid or an investor that is withdrawing or redeeming from a Fund might receive more/less than the amount to which the investor is entitled. As such, inaccurate valuations have the potential to harm new investors, existing investors, withdrawing or redeeming investors and the Funds.



- Each client, and not Blue Sparrow, is generally responsible for any trade errors that Blue Sparrow makes in the client's account, even when the error hurts the client, unless the conduct resulting in loss such falls within certain narrowly defined limitations.
- Blue Sparrow and its affiliates and agents generally are not responsible to any client or investor for losses incurred in by the client or investor unless the conduct resulting in such loss falls within certain narrowly defined limitations.

### *Fund Risks*

- There is not and will not be an active market for Fund interests or shares. It may be impossible to transfer any such interests or shares, even in an emergency.
- The Funds' may have a few large investors and such concentration may continue for some time. Such investors may act in concert in redeeming assets, which would materially affect any other investors' investments in the Funds if it occurs.
- The Master Fund may not be able to generate cash necessary to satisfy investor withdrawals and redemptions. Substantial withdrawals and redemptions could force Blue Sparrow to liquidate investments too rapidly, and may so reduce the size of the Master Fund that it cannot generate returns or reduce losses.
- There are substantial limits on an investors ability to withdraw or redeem from the Funds.
- A Fund may limit or suspend withdrawals or redemptions of an investor's assets from the Fund.
- A Fund may establish a reserve for contingencies if Blue Sparrow or Blue Sparrow GP considers it appropriate. Investors may not withdraw or redeem assets covered by that reserve until it is lifted.
- A Fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
- The Funds do not intend to make distributions, but intend instead to reinvest substantially all income and gains. Therefore, an investor may have taxable income from a Fund without a cash distribution to pay the related taxes.
- If a Fund becomes insolvent, investors may be required to return with interest any distributions and forfeit any undistributed profits.
- In addition to its trading on behalf of managed accounts, Blue Sparrow may identify certain investment opportunities that it believes are attractive but inappropriate for the Funds or too large for the Funds to make the entire investment. Blue Sparrow may allocate all or part of such opportunities to a separate account, special purpose vehicle or other structure (a "**Co-Investment Vehicle**"). No Fund investor has a right to participate in any Co-Investment Vehicle, which may be offered on better terms than are available to the Funds.

If a Co-Investment Vehicle is formed, the Funds may bear more than their pro-rata share of any applicable expenses (for example, expenses incurred before a Co-Investment Vehicle is formed) and investments in and liquidations of co-investment opportunities may be made none pro-rata between the Funds and any Co-Investment Vehicles.

### *General Risks*

- If the assets that Blue Sparrow and its affiliates manage grow too large, it may adversely affect performance because it is more difficult for Blue Sparrow to find attractive investments as the amount of assets that it must invest increases.
- No client or investor has been represented by separate counsel. The attorneys who represent Dror Bar-Ziv do not represent clients or Fund investors. Clients and investors must hire their own counsel for legal advice and representation.
- Blue Sparrow, Blue Sparrow GP, an administrator or any government agency may freeze assets that any of them believes an investor or client holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. None of Blue Sparrow, Blue Sparrow GP, any Fund or an administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.
- Blue Sparrow may provide certain investors or clients with reduced fees and allocations, certain other preferential rights, and special liquidity rights that it does not provide to other investors or clients. These preferential rights may adversely affect the clients' portfolio positions, and accordingly, the other investors or clients.
- Federal, state and international governments may increase regulation of investment advisers, private investment funds and derivative securities, which may increase the time and resources that Blue Sparrow must devote to regulatory compliance, to the detriment of its investment activities.
- Blue Sparrow is not registered with the SEC as a broker-dealer or with the Commodity Futures Trading Commission as a commodity pool operator or commodity trading adviser. The equity interests in the Funds are not registered under the Securities Act of 1933, and the Funds are not registered investment companies under the ICA. As a result, investors and clients do not have certain regulatory protections that they would have if these registrations were in place. Blue Sparrow believes that none of these registrations is required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations is required, Blue Sparrow and the applicable clients (including the Funds) could be subject to expensive and distracting legal action and potential termination.
- Blue Sparrow's and its affiliates' activities could cause adverse tax consequences to clients and investors, including liability for interest and penalties.

- Blue Sparrow's activities may cause an account that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.
- The success of Blue Sparrow's investment strategy depends on the skill and acumen of Dror Bar-Ziv in selecting investments directly and in selecting other managers and other employees. If Mr. Bar-Ziv should cease to participate in Blue Sparrow's activities, its ability to select attractive investments and manage its clients' portfolios could be impaired.
- Blue Sparrow and its affiliates may spend time on activities that compete with an account or distract them from managing the account without accountability to other clients or investors, including investing for other clients and their own accounts. If Blue Sparrow receives better compensation and other benefits from these activities compared to managing a particular account, it has incentive to allocate more time to those other activities. These factors could influence Blue Sparrow not to make investments on a client's behalf (including the Master Fund) even if such investments would benefit the client, or otherwise reduce the time Blue Sparrow or its affiliates spend managing each client.
- Blue Sparrow depends heavily on information systems and technology. A disruption in the infrastructure that supports Blue Sparrow's business, including a disruption involving order management systems, electronic communications or other services that Blue Sparrow or third parties with which it does business use or any cybersecurity attack or breach with respect to any such persons, Blue Sparrow or an account, may affect Blue Sparrow's ability to continue to manage the accounts without interruption.

The above is only a brief summary of some risks that a Fund investor or other client may encounter. Before deciding to invest in a Fund or an account managed by Blue Sparrow, prospective investors should consider carefully all of the risk factors and other information in the Fund's offering circular or private offering memorandum.

**Item 9. Disciplinary Information**

This Item is not applicable, because Blue Sparrow has no reportable disciplinary information.

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

This Item is not applicable, because Blue Sparrow has no reportable other financial industry activities or affiliations.

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

Blue Sparrow has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, that establishes standards of conduct for Blue Sparrow's supervised persons. The Code of Ethics includes general requirements that Blue Sparrow's supervised persons comply with their fiduciary obligations to the clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to comply with the

personal trading restrictions described below and periodically to report their personal securities transactions and holdings to Blue Sparrow's Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Compliance Officer. Each supervised person of Blue Sparrow receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received those materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during the preceding year. Clients and prospective clients may review Blue Sparrow's Code of Ethics at Blue Sparrow's offices by contacting Julia Ruthven at [julia@bluesparrowpartners.com](mailto:julia@bluesparrowpartners.com).

Under Blue Sparrow's Code of Ethics, Blue Sparrow and its partners, officers and employees may personally invest in securities of the same classes as Blue Sparrow purchases for clients and may own securities of issuers whose securities that Blue Sparrow subsequently purchases for clients. This practice creates a conflict of interest in that any of such persons can use his or her knowledge about actual or proposed securities transactions and recommendations for a client account to profit personally by the market effect of such transactions and recommendations. To address this conflict, except as described in Item 12 regarding aggregating securities transactions, Blue Sparrow and its partners, officers and employees typically must obtain pre-approval before engaging in certain covered securities transactions. This pre-approval requirement does not generally apply to (1) direct U.S. government obligations (e.g., treasury securities), (2) bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements, (3) certain money market funds and open-ended mutual funds, and (4) currencies. Blue Sparrow and its partners, officers and employees may also buy or sell specific securities for their own accounts based on personal investment considerations aside from company or industry fundamentals, which Blue Sparrow does not believe appropriate to buy or sell for clients.

Blue Sparrow solicits investors who may or may not be Blue Sparrow's clients to invest in its Funds. Blue Sparrow has an incentive to cause a client to invest in a Fund instead of an individually managed account because (1) of the reduced expenses and administrative burdens of managing a Fund compared to an individually managed account, (2) Blue Sparrow's performance compensation from a Fund that is a limited partnership may receive more favorable tax treatment than that from an individually managed account, and (3) investors in the Funds have less transparency and liquidity than individual account clients. In addition, if a Fund investor also has an individually managed account with Blue Sparrow that uses an investment strategy that is similar to that of the Funds, the investor may use knowledge of the other account's portfolio to decide if and when to make an additional investment or withdraw assets from a Fund at times when other investors would have made similar decisions had they had similar transparency. Blue Sparrow discloses these conflicts of interest to clients and investors.

Because Blue Sparrow manages more than one account, there may be conflicts of interest over the time it devotes to managing any one account and allocating investment opportunities among all accounts that it manages. For example, Blue Sparrow selects investments for each client based solely on investment considerations for that client. Different clients may have differing investment strategies and expected levels of trading. Blue Sparrow may buy or sell a security for one type of client but not for another, or may buy (or sell) a security for one type of client while simultaneously selling (or buying) the same security for another type of client. Blue Sparrow may give advice to,

and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client. Blue Sparrow is not obligated to acquire for any account any security or commodity that Blue Sparrow or its partners, officers or employees may acquire for its or their own accounts or for any other client, if in Blue Sparrow's absolute discretion, it is not practical or desirable to acquire a position in such security for that account.

Further, Blue Sparrow may create Co-Investment Vehicles to participate in certain co-investment opportunities, as describe above in Item 8. Such Co-Investment Vehicles may have different fees and terms from the Funds and other accounts and may present conflicts of interests for Blue Sparrow with respect to allocations of investment opportunities. To mitigate such risks, in addition to any allocation to other accounts, generally such Co-Investment Vehicles will be used only if Blue Sparrow identifies an investment opportunity that it believes is attractive but either (a) inappropriate for the Funds at any size, or (b) appropriate for the Funds but too large to allocate solely to the Funds. Blue Sparrow will determine how to allocate co-investment opportunities and associated expenses between the Funds and any Co-Investment Vehicle, which allocations and expenses may not be pro rata. Blue Sparrow will determine how liquidate co-investment opportunities of the Funds and any Co-Investment Vehicle in its discretion.

## **Item 12. Brokerage Practices**

Blue Sparrow has complete discretion in selecting the brokers or FCMs that it uses for client transactions and the commission rates that clients pay such brokers and FCMs.

Blue Sparrow generally selects brokers and FCMs based on best execution and other factors or services paid for or provided by those brokers and FCMs that benefit Blue Sparrow, its affiliates, the Funds or other client accounts, including, among other things:

- Research reports, services and conferences (including third party research fees);
- Outsourced trading expertise and trading desk access;
- Economic and market information;
- Portfolio strategy advice;
- Industry and company comments;
- Technical data;
- Performance measuring data;
- On-line pricing;
- Special execution capabilities;
- Outsourced trading services;
- Block trading and block positioning capabilities;
- Willingness to execute related or unrelated difficult transactions in the future;
- Willingness to commit capital;
- Knowledge of market participants;
- Order of call;
- Sophistication of computerized trading systems;
- Clearance and settlement;
- Reputation, financial strength and stability;
- Confidentiality;

- Efficiency of execution and error resolution;
- Quotation services;
- Availability of stocks to borrow for short trades;
- Custody, recordkeeping and similar services;
- General business or operational consulting; and
- Other matters involved in the receipt of brokerage services generally.

Blue Sparrow also may purchase from a broker or FCM, or allow a broker or FCM to pay for, all or a portion of operating costs and expenses of Blue Sparrow, the Funds or their affiliates, such as:

- Supplies;
- Newswire and data processing charges;
- Quotation services and equipment;
- Accounting, administrative and legal fees;
- Periodical subscription fees;
- Third party research fees;
- Costs and expenses of offering and selling interests and shares in the Funds and communicating with existing and prospective investors; and
- Registration fees to attend research conferences.

Blue Sparrow may receive soft dollar credits based on principal, as well as agency, securities and commodities transactions with brokers and FCMs or direct a broker or FCM that executes transactions to share some of its commissions with a broker or FCM that provides soft dollar benefits to Blue Sparrow.

Blue Sparrow may allocate the costs of certain computer software used for both research and brokerage (on the one hand) and non-research and non-brokerage (on the other hand) between their research or brokerage uses and non-research or non-brokerage uses, and use soft dollars to pay only for the portion that Blue Sparrow allocates to research uses.

Blue Sparrow has retained Morgan Stanley & Co. Incorporated and Goldman Sachs & Co. (and their affiliates) to serve as the Master Fund's prime brokers and custodians. Blue Sparrow may replace any such firm or appoint an additional prime broker and custodian at any time and may, subject to each account agreement, appoint any prime brokers it deems appropriate with respect to any managed accounts. The services that these firms currently provide as prime brokers and custodians may include custody, margin financing, clearing, settlement and stock borrowing in accordance with the terms of the prime brokerage and custody agreements entered into between the applicable clients and each of these firms. These firms have or will have custody of most of the applicable client's assets and may provide Blue Sparrow with other services. These services may include: technology services (such as internet access, IT support, Bloomberg connections, wireless networking, email archiving and disaster recovery systems), portfolio reporting and access to electronic communications networks. These firms also may, at their discretion, provide capital introduction services. Blue Sparrow expects to use a substantial portion of these services for research and trading on behalf of the clients, but some may be used for administrative purposes, which would not be within the safe harbor of section 28(e), although Blue Sparrow intends to use reasonable best efforts to comply with section 28(e) in all material respects. Although many prime brokers and custodians provide similar services to investment advisers in exchange for brokerage,

custody and clearance fees and other charges, if Blue Sparrow did not receive these services from these firms, Blue Sparrow would be required to pay for all or some portion of them. Blue Sparrow is not required to direct a particular number of trades to any of these firms or to continue to use them as the applicable client's custodians, but it has an incentive to do so based on their prior and continued services.

A client's obligations to those custodians and their affiliates is secured by a first priority perfected security interest over all of the client's assets held by them and their affiliates. A custodian may transfer to itself all rights, title and interest in and to those assets as collateral and may deal with, lend, dispose of, pledge or otherwise use all such collateral for its own purposes. If any such transfer occurs, the client will rank as such custodian's (or affiliate's) unsecured creditor. If such custodian or affiliate becomes insolvent, the client may not be able to recover such equivalent securities in full. In addition, the client's cash held by a custodian may not be segregated from such custodian's own cash and, if not so segregated, may be used by such custodian or affiliate in the course of its business and the client will therefore rank as an unsecured creditor in relation thereto.

If any of the client's investments are registered in the name of a custodian or its affiliate due to the nature of the law or market practice of a particular jurisdiction, such investments will not be segregated from the custodian's or affiliate's own investments and if such custodian or affiliate becomes insolvent, the client may not be able to recover such equivalent investments in full.

Blue Sparrow may select a broker to act as a "trading broker" for a client. In such cases, Blue Sparrow or the trading broker may select the executing broker, and the trading broker would then place or manage the order. The trading broker is compensated (through commissions or otherwise) for this trading service in addition to the commissions paid to the executing brokers. As with all soft dollar arrangements, using a trading broker in this manner causes the client to pay brokerage commissions, mark-ups and other transactions fees that are higher than might otherwise be paid if brokers were selected solely based on lowest execution cost. In addition, using a trading broker (rather than an employee of Blue Sparrow) to provide those services may allow Blue Sparrow to reduce its own personnel expenses.

Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. If Blue Sparrow uses commission dollars to pay for products or services that provide administrative or other nonresearch assistance to itself or its affiliates, such payments may not fall within the section 28(e) safe harbor, although Blue Sparrow intends to use reasonable best efforts to comply with section 28(e) in all material respects.

Blue Sparrow may pay to a broker or FCM commissions and mark-ups that exceed those that another broker or FCM might charge for effecting the same transaction because of the value of the brokerage, research, other services and soft dollar relationships that such broker or FCM provides. Blue Sparrow determines in good faith that such compensation is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, in terms of either

the specific transaction or Blue Sparrow's overall fiduciary duty to its clients. An account may, however, pay higher commissions and mark-ups than are otherwise available or may pay more commissions or mark-ups based on account trading activity. The research and other benefits resulting from Blue Sparrow's brokerage relationships benefit Blue Sparrow's operations as a whole and all accounts that it manages, including, if any, those that do not generate the soft dollars that pay for such research. Blue Sparrow does not allocate soft dollar benefits to accounts proportionately to the soft dollar credits that the accounts generate.

Blue Sparrow's relationships with brokers and FCMs that provide soft dollar services influence its judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not, and in allocating the costs of mixed-use products between their research and non-research uses. Blue Sparrow has an incentive to select or recommend a broker or FCM based on Blue Sparrow's interest in receiving soft dollar services rather than clients' interest in receiving the most favorable execution. These conflicts of interest are particularly influential to the extent that Blue Sparrow uses soft dollars to pay expenses it would otherwise be required to pay itself.

Blue Sparrow attempts to address these conflicts of interest by periodically evaluating the trade execution services that it receives from the brokers and FCMs that it uses to execute trades for clients. Such evaluation includes comparing those services to the services available from other brokers and FCMs. As part of those evaluations, Blue Sparrow may consider, among other things, quantitative and qualitative factors such as the services described above and the desirability of adding or removing brokers and FCMs, increasing or decreasing targets for each broker and FCM (based on Blue Sparrow's assessment of the value of the services that each broker and FCM provides) and the appropriate level of commission rates.

Blue Sparrow may aggregate securities sale and purchase orders for a client with similar orders being made contemporaneously for other accounts that it manages or with accounts of its affiliates. In such event, Blue Sparrow may charge or credit a client, the average transaction price of all securities purchased or sold in such transactions. As a result, however, the price may be less favorable to the client than it would be if Blue Sparrow were not executing similar transactions concurrently for other accounts. Blue Sparrow may also cause a client to buy or sell securities directly from or to another client, if such a cross-transaction is in the interests of both clients.

Blue Sparrow may direct a certain amount of brokerage to a broker or FCM in return for the broker's or FCM's referral of prospective clients or investors. Directing brokerage to a broker in exchange for client or investor referrals creates a conflict of interest in that Blue Sparrow has an incentive to refer its clients' brokerage business to brokers to which it might not otherwise direct transactions. Blue Sparrow has policies and procedures to review its brokerage practices regularly, and includes as a factor in its review of trade execution services its use of brokers from which Blue Sparrow receives client or investor introductions.

If a client directs Blue Sparrow to use a specific broker, Blue Sparrow has not negotiated the terms and conditions (including, among others, commission rates) relating to the services provided by such broker. Blue Sparrow is not responsible for obtaining from any such broker the best prices or particular commission rates. A client that directs Blue Sparrow to use a specific broker may not be able to participate in aggregate securities transactions and may trade after such aggregate



transactions and receive less favorable pricing and execution. The client may pay higher commissions and mark-ups than it would pay if Blue Sparrow had discretion to select broker-dealers other than those that the client chooses

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

Blue Sparrow's portfolio manager, Dror Bar-Ziv, reviews all accounts on a regular basis. Those reviews may take into account such matters as asset allocation, cash management, the prospects of individual securities, changes in issuer earnings, industry outlook, market outlook and price levels.

Each Fund investor receives a written annual report containing the Fund's audited financial statements. In addition, each investor receives unaudited monthly statements from the Funds' administrator. The Funds may change the content and frequency of such reports or send certain investors more frequent reports (e.g., monthly or weekly). Blue Sparrow also furnishes to Fund investors appropriate tax information each year.

Each managed account client receives the reports described in its account agreement.

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

Blue Sparrow may engage solicitors to whom it pays cash or a portion of the advisory fees paid by clients referred to it by those solicitors. In such cases, this practice is disclosed in writing to the client and Blue Sparrow complies with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent required by applicable law.

### **Item 15. Custody**

The custodian of each individually managed account sends account statements at least quarterly to the client. Each client should carefully review those statements and compare them with the statements that such client receives directly from Blue Sparrow, if any.

### **Item 16. Investment Discretion**

Blue Sparrow has discretionary authority to manage investment accounts on behalf of the clients pursuant to a grant of authority in each Fund's limited partnership agreement or a limited power of attorney in the client's investment adviser agreement. Investors generally may not place any limits on Blue Sparrow's authority beyond those set forth in the Funds' offering and governing documents. Managed account clients may generally not place any limits on Blue Sparrow's authority beyond those set forth in the applicable account agreement.

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

After considering whether a proposal will have a material effect on the account's investment strategy, Blue Sparrow determines whether to vote on each proposal. Blue Sparrow will vote on all proxy events unless Blue Sparrow determines it is not in the best interest of the applicable client. In determining whether a proposal serves an account's best interests, Blue Sparrow considers a number of factors, including:

- the proposal's economic effect on shareholder value;
- the threat that the proposal poses to existing rights of shareholders;
- the dilution of existing shares that would result from the proposal;
- the effect of the proposal on management or director accountability to shareholders; and
- if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

Blue Sparrow abstains from voting proxies when Blue Sparrow believes that it is appropriate to do so.

If a material conflict of interest over proxy voting arises between Blue Sparrow and a client, Blue Sparrow will vote all proxies in accordance with the policy described above. If Blue Sparrow determines that this policy does not adequately address the conflict of interest, Blue Sparrow will notify the client of the conflict and request that the client consent to Blue Sparrow's intended response to the proxy solicitation. If the client consents to Blue Sparrow's intended response or fails to respond to the notice within a reasonable time specified in the notice, Blue Sparrow will vote the proxy as described in the notice. If the client objects in writing to Blue Sparrow's intended response, Blue Sparrow will vote the proxy as the client directs.

A client can obtain a copy of Blue Sparrow's proxy voting policy and a record of votes cast by Blue Sparrow on behalf of that client by contacting Blue Sparrow.

#### **Item 18. Financial Information**

This Item is not applicable, because Blue Sparrow is not required to report financial information.

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

Not applicable. Blue Sparrow is not registered as an investment adviser with any state's securities agency.

#### **Privacy Policy**

Blue Sparrow and the Funds:

- collect non-public personal information about their investors from the following sources:
  - information received from their investors on applications or other forms;
  - information about their investors' transactions with Blue Sparrow, its affiliates or others; and
  - information Blue Sparrow and the Funds receive from consumer reporting agencies;
- do not disclose any non-public personal information about their investors or former investors to anyone, except as permitted by law;

- restrict access to non-public personal information about their investors to their employees who have a business or professional reason to know such information; and
- maintain physical, electronic and procedural safeguards that comply with federal standards to guard their investors' personal information.