

Archon Partners, LLC

Part 2A of Form ADV The Brochure

152 W. 57th Street
New York, NY 10019

(212) 484-3100
Website: None

March 15, 2019

This brochure provides information about the qualifications and business practices of Archon Partners, LLC (“Archon”). If you have any questions about the contents of this brochure, please contact us at (212) 484-3100. 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 Archon is also available on the SEC’s website at: www.adviserinfo.sec.gov.

ITEM 2. Material Changes

Archon has no material changes to disclose since the last annual update filing dated March 21, 2018.

ITEM 3. Table of Contents

ITEM 1. Cover Page.....	1
ITEM 2. Material Changes	2
ITEM 3. Table of Contents.....	2
ITEM 4. Advisory Business	2
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	10
ITEM 10. Other Financial Industry Activities and Affiliations	10
ITEM 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	10
ITEM 12. Brokerage Practices	12
ITEM 13. Review of Accounts.....	17
ITEM 14. Client Referrals and Other Compensation.....	18
ITEM 15. Custody	18
ITEM 16. Investment Discretion.....	19
ITEM 17. Voting Client Securities.....	19
ITEM 18. Financial Information	20
ITEM 19. Requirements for State-Registered Advisers.....	20

ITEM 4. Advisory Business

Archon is an investment adviser organized as a Delaware limited liability company and was founded in January 2008 by Bradley A. Roberts and Joseph E. Sheehan, the founding principals and sole owners. As of December 31, 2018 Archon managed \$516,715,239 of regulatory assets under management on a discretionary basis on behalf of two Clients (as defined below).

Archon provides investment advisory services to pooled investment vehicles that rely on an exclusion from registration as an investment company under the Investment Company Act of 1940, as amended, and rely on a private offering exemption from registration of their interests under the Securities Act of 1933, as amended (each, a “Private Fund” and collectively, the “Private Funds”).¹ As the investment manager of the Private Funds, Archon’s services consist of identifying opportunities for acquisition, management, monitoring, and disposition of investments of the Private Funds. Investment advice is provided directly to the Private Funds, subject to the discretion and control of the general partner or the board of directors of the applicable Private Fund, and not individually to the limited partners or shareholders of the Private Funds.

¹ References to Client or Clients are used interchangeably with Private Fund or Private Funds in this brochure.

Archon currently serves as the investment manager to two long/short equity private investment funds: Archon Partners L.P. (“Archon Partners Fund”) and Archon Focus Investments L.P. (“Archon Focus Fund”) (collectively, the “Funds” or “Clients”). Archon has full discretionary investment management authority with respect to the Funds pursuant to the terms of their respective management agreements. Investment restrictions for the Funds, if any, are generally established in the applicable organizational or offering documents.

Archon does not participate in wrap fee programs.

ITEM 5. Fees and Compensation

Management Fees

As provided under the governing documents and investment management agreements of the Private Funds, Archon charges the Private Funds a management fee of 1% per year (the “Management Fee”), payable quarterly in arrears based on the net assets of each Private Fund as of the beginning of the quarter. Archon deducts the Management Fee from each Private Fund’s prime brokerage account.

Performance Allocation

Except as provided below and as described in greater detail in the offering documents of each Private Fund, Archon, through affiliates that serve as the general partners of the Private Funds, are entitled to a performance allocation (the “Performance Allocation”) equal to 10% (in the case of Archon Partners Fund) or 20% (in the case of Archon Focus Fund) of the net profits of the respective Private Fund. The Performance Allocation is allocated as of the close of each calendar year and as of any date on which an investor redeems all or a portion of its investment from a Private Fund. The Performance Allocations are accrued monthly based on the year-to-date performance of each series and class of the appropriate Private Fund. The Performance Allocations are subject to a cumulative loss recovery provision (i.e., a “high water mark”) whereby net profits must exceed any balance in the loss recovery account before the performance allocations apply. When an investor partially redeems from a Private Fund, the loss recovery account is reduced pro rata, based on the size of the redemption relative to the total capital account balance of the investor.

The Management Fee and Performance Allocation are not negotiable; however, Archon has the authority to reduce, waive, or otherwise amend the Management Fee and Performance Allocation for certain investors of its Private Funds, including, without limitation, investors who are directors, employees, or principals of Archon or its respective affiliates. In addition, the general partners of the Private Funds do not incur Performance Allocations for any investments they have made in the Private Funds.

Finally, Archon has the discretion to agree with investors in the Private Funds to waive or modify the application of provisions or investment terms applicable to such investors in a “side letter” or any other manner, without obtaining the consent of any other investor in the Private Funds, unless an investor’s rights would be materially and adversely impacted by such waiver or modification, such as a waiver of Archon’s requirement to provide annual audited financial statements to each

fund investor not later than 120 days after the Fund's fiscal year end. Please see the Confidential Offering Memoranda or Confidential Private Placement Memoranda of the Private Funds, as the case may be (each, a "PPM"), for further information about Archon's discretion to waive or modify the application of provisions or investment terms generally applicable to investors.

Other Costs and Expenses

Archon is responsible for and pays, or causes to be paid, all of its Overhead Expenses, except as described below. For this purpose, "Overhead Expenses" for a fiscal year include all rent, secretarial, office equipment, office supply, telephone, utility and similar expenses of operating the office of Archon, and salaries and other compensation to officers and employees of Archon for work performed on a Private Fund's behalf (including business travel and salaries and compensation that relate to identifying, evaluating and investigating proposed investments of a Private Fund). The Private Funds pays, or reimburses Archon or the applicable general partner, for all other costs and expenses of the Private Fund's investment activities and of the yearly operation of the Private Fund including, without limitation, transaction costs (e.g., brokerage fees, filing fees, and associated legal and accounting fees)² and ongoing research and related costs attributable to investments of the Private Funds. The Private Funds have paid for their organizational expenses, including legal and accounting fees (and related disbursements and other charges) incurred in connection therewith, and expenses relating to the initial offering of interests in the Private Funds.

Further, Private Fund expenses that benefit or relate to multiple Private Funds are allocated *pro rata* based on the amount of their respective investments, unless the applicable general partners reasonably determine that the Private Funds should share such costs in different proportions. To the extent that certain costs or expenses benefit or relate only to a particular Private Fund, only that particular Private Fund will generally bear such costs or expenses.

Finally, to the extent that the Private Funds invest in mutual funds or exchange traded funds, which incur their own separate layer of management, trading, administrative, and other expenses, Private Fund investors incur two distinct layers of fees on the amount invested – one layer charged by Archon and one layer charged by the mutual funds or exchange traded funds.

Withdrawal Fees

Investors may not withdraw any part of their capital account balance within the first 12 months of becoming an investor in the Private Funds; any such withdrawals are subject to a withdrawal fee of up to 2% of the amount withdrawn. The general partners have the authority to waive this fee. Withdrawals by Archon Focus Fund investors are not subject to the aforementioned withdrawal fee, but the general partner reserves the right to charge a withdrawing investor reasonable legal, accounting, and administrative costs associated with investor withdrawals.

² Please see the "Brokerage Practices" section of this brochure for further information about trading-related matters, including the factors Archon considers in allocating brokerage in order to seek to achieve best execution with respect to the Private Funds' trading activity.

ITEM 6. Performance-Based Fees and Side-by-Side Management

As disclosed above under Item 5. “Fees and Compensation”, the general partner receives a Performance Allocation, which is based on the performance of each Private Fund.

The entitlement of the general partners to a Performance Allocation may create an incentive for the general partners to make (or direct Archon to make) investments that are riskier or more speculative than those that might be made in the absence of such arrangements. In addition, because the Performance Allocations are calculated on a basis that includes both realized and unrealized gains, such fees may be greater than if based solely on realized gains.

Finally, some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. The Archon Focus Fund has a higher performance-based fee percentage than the Archon Partners Fund. This could suggest the potential conflict of interest that Archon has an incentive to favor the Archon Focus Fund over the Archon Partners Fund. However, certain mitigating factors exist, including the fact that the Archon Partners Fund is larger and generates the largest overall amount of management and performance-based fees. Please also see Item 12 below regarding trade aggregation and trade order entry, as well as Item 11 below for additional information relating to how conflicts of interest are generally addressed by Archon.

ITEM 7. Types of Clients

Archon provides investment management services to Private Funds. Investment advice is provided directly to the Private Funds, subject to the discretion and control of the general partner of the Private Funds, and not individually to the investors in the Private Funds. The following requirements, as described in greater detail in each Private Fund’s PPM, apply for investing in the Private Funds:

The Private Funds generally require a minimum initial investment amount of \$1 million, subject to the discretion of Archon or the general partner to accept lesser initial investment amounts. For additional investments, the Private Funds do not require a minimum investment amount.

Please see the PPMs of the Private Funds for additional information about investor eligibility requirements and other subscription and redemption requirements.

ITEM 8. Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies and Methods of Analysis

Archon’s Managing Partner, Bradley A. Roberts, and Partner, Joseph E. Sheehan (the “portfolio managers”), work together to conduct fundamental analysis on all securities recommended for the Private Funds.

Archon Partners Fund

The Archon Partners Fund has a primary objective to achieve long-term growth of capital and has flexible investment parameters to achieve this objective using both long and short positions. The Archon Partners Fund primarily invests in a wide range of publicly-traded, mid-cap and large-cap equities. The Archon Partners Fund is not limited to a particular market capitalization or geographical area and is not required to only invest in common stocks. Thus, the Archon Partners Fund may invest in corporate bonds and other investment instruments at the discretion of the portfolio managers.

Archon Partners Fund's investment philosophy is predicated on the belief that high equity returns are generated by companies or industries experiencing significant fundamental change. Archon believes that companies demonstrating meaningful positive change should generate above average sales and earnings. Attractive equity returns should result from purchasing stakes in such companies at an appropriate discount to assessed value.

Significant fundamental changes at the company level include, but are not limited to, the following: a new management team; a ground-breaking product; a corporate turnaround; and entry into a new market. Significant fundamental changes at the industry level include, but are not limited to, the following: an altered regulatory environment; an industry undergoing consolidation; and an industry benefitting from demographic shifts.

The portfolio managers analyze potential portfolio companies using independent, in-house research complemented by outside research providers. The portfolio managers look for, among other things, the following characteristics in potential investments:

- A large market opportunity that exhibits favorable potential rewards;
- An attractive competitive structure (i.e., limited number of capable industry participants);
- Rapid growth potential;
- High and improving returns on capital; and
- An attractive price versus the investment's prospects.

Archon Focus Fund

The Archon Focus Fund has a primary investment objective to achieve long-term capital appreciation by investing in equity securities of public companies offering return opportunities, using both long and short positions. While focusing on capital appreciation, Archon seeks to lower risk exposure through the use of hedging instruments such as short selling and options. Archon believes that holding a small number of securities allows its best ideas to have a meaningful impact on the Archon Focus Fund's performance. The main differences between the investment strategy of the Archon Focus Fund and the Archon Partners Fund are that the Archon Focus Fund generally holds fewer, more concentrated investment positions and generally invests in lower market capitalization issuers than the Archon Partners Fund.

Short exposure consists of positions in securities designed to track equity indices as well as short positions in individual companies. Archon typically targets for short sale companies with, among

other things, small or eroding market shares, weakening balance sheets, and low or declining margins in industries with low competitive barriers to entry.

Potential Risks and Risk of Loss

Investing in securities involves risk of loss that investors in the Private Funds should be prepared to bear. An investment in the Private Funds involves a high degree of financial risk.

All investments risk the loss of capital and no guarantee or representation is made that the Private Funds will achieve their investment objectives. The Private Funds assume the following risks, among others, as described in greater detail in the PPMs:

Security Selection - because the Private Funds invest primarily in publicly-traded equity securities, Archon believes their primary risk of loss is associated with security selection. Archon endeavors to minimize such risk through portfolio construction, maintenance of liquidity and monitoring. However, the hedged, long-short trading strategies of the Private Funds may not effectively protect the Private Funds from adverse market movements.

Market Risk and Lack of Diversification – the risk that accompanies investments in common stock. Stock prices may fluctuate widely over short or extended periods in response to company, market, or economic news. The Private Funds generally intend to limit their holdings to a small number of stock positions, although the Private Funds may hold a greater number of positions in Archon's sole discretion. The appreciation or depreciation of any one stock held by the Private Funds will have a greater impact on the Private Funds' value than it would if the Private Funds invested in a larger number of stocks.

Equity and Fixed-Income Securities - the Private Funds invest primarily in common stocks, which are a type of equity security that represents an ownership interest in a corporation, although the Funds may also own other classes of stock. One of the risks of investing in common stock is that a company's stock value may go up or down depending on the company's business success or other economic or market factors. Common stock prices fluctuate for many reasons, including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or when political or economic events affecting the issuer occurs. In addition, common stock prices may be sensitive to rising interest rates, as the costs of capital rise and borrowing costs increase.

The Private Funds may occasionally invest in fixed income securities. Fixed income securities may fluctuate in value in response to, among other things, changes in interest rates, perceptions of creditworthiness, rating agency reviews, and the issuer's ability to generate cash flows to meet its financial obligations.

Foreign Securities - the Private Funds invest in various capital markets throughout the world. As a result, the Private Funds are subject to risks relating to non-U.S. markets which may be greater to the extent the Private Funds' investments are designed to seek exposure to emerging markets. Such risks include currency exchange matters, including fluctuations in the rate of exchange between the United States Dollar and the various foreign currencies in which the Private Funds' securities will

be denominated, costs associated with conversion of investment principal and income from one currency into another, and the possibility of devaluation, non-exchangeability, and even potential blockage of the exchange of currencies.

In addition, the Private Funds could become subject to additional or unforeseen taxation in foreign jurisdictions, including the possible imposition of withholding, confiscatory, or other taxes on income received from, or gains with respect to, such securities. Less developed/emerging capital markets also involve certain factors not typically associated with investing in established securities markets, including risks relating to: (i) differences between markets, including potential price volatility in, and relative illiquidity of, some foreign securities markets and market manipulation; (ii) the fact that less information may be available regarding securities of non-U.S. issuers, the absence of uniform accounting, auditing, and financial reporting standards, practices, and disclosure requirements, and less government supervision and regulation of exchanges, brokers, and issuers; and (iii) certain economic and political risks, including political or social instability, potential exchange control regulations, and potential restrictions on foreign investment and repatriation of capital.

Transaction costs in non-U.S. securities markets are generally higher than in the U.S. securities markets. The Private Funds might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures that, in some markets, have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Private Funds' performance.

Option Transactions - the Private Funds may occasionally utilize options and futures contracts and so called "synthetic" options or other derivatives written by broker-dealers or other permissible financial intermediaries. Options transactions may be effected on securities or commodity exchanges or in the over-the-counter market. Options may be illiquid and, in such cases, the Private Funds may have difficulty closing out their positions. Over-the-counter options also may include options on baskets of specific securities.

The Private Funds may purchase call and put options on specific securities, commodities, or futures contracts and may write and sell covered or uncovered call and put options for hedging purposes in pursuing their investment objectives. A put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying security, commodity, or futures contract at a stated exercise price, typically at any time prior to the expiration of the option. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying security, commodity, or futures contract at a stated exercise price, typically at any time prior to the expiration of the option.

A covered call option is a call option with respect to which the seller of the option owns the underlying security, commodity, or futures contract. The sale of such an option exposes the seller during the term of the option to the possible loss of the opportunity to realize appreciation in the market price of the underlying security, commodity, or futures contract or to the possible continued holding of a security, commodity, or futures contract that might otherwise have been sold to protect against depreciation in the market price of the security, commodity, or futures contract. A covered

put option is a put option with respect to which cash or liquid securities have been placed in a segregated account on the books of, or with, a custodian to fulfill the obligation undertaken. The sale of such an option exposes the seller during the term of the option to a decline in price of the underlying security, commodity, or futures contract while depriving the seller of the opportunity to invest the segregated assets.

The Private Funds may close out a position when writing options by purchasing an option on the same security, commodity, or futures contract with the same exercise price and expiration date as the option that it has previously written on the security, commodity, or futures contract. In such a case, the Private Funds will realize a profit or loss if the amount paid to purchase an option is less or more than the amount received from the sale of the option.

The Private Funds may enter into futures contracts in U.S. markets or on exchanges located outside the United States. Non-U.S. markets may offer advantages such as trading opportunities or arbitrage possibilities not available in the United States. Non-U.S. markets, however, may have greater risk potential than U.S. markets. For example, some non-U.S. exchanges are principal markets so that no common clearing facility exists and an investor may look only to the broker for performance of the contract. In addition, any profits realized could be eliminated by adverse changes in the exchange rate, or the Private Funds could incur losses as a result of those changes. Transactions on non-U.S. exchanges may include both commodities that are traded on U.S. exchanges and those that are not. Unlike trading on U.S. commodity exchanges, trading on non-U.S. commodity exchanges is not regulated by the CFTC.

Engaging in transactions in futures contracts involves risk of loss to the Private Funds that could adversely affect the value of the Private Funds' net assets. No assurance can be given that a liquid market will exist for any particular futures contract at any particular time. Many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit or trading may be suspended for specified periods during the trading day. Futures contract prices could move to the limit for several consecutive trading days with little or no trading, preventing prompt liquidation of futures positions and potentially subjecting the Private Funds to substantial losses. Successful use of futures also is subject to Archon's ability to predict correctly movements in the direction of the relevant market, and, to the extent the transaction is entered into for hedging purposes, to determine the appropriate correlation between the transaction being hedged and the price movements of the futures contract.

Short Selling – the Private Funds engage in short selling for both speculative and hedging purposes. A short sale involves the sale of a security that the seller does not own in the hope of purchasing the same security (or a security exchangeable for that security) at a later date and at a lower price. To make delivery to the buyer, the seller must borrow the security and is obligated to return the security to the lender, which is accomplished by a later purchase of the security. In the United States, when a short sale is made, the seller must leave the proceeds of the sale with the broker and deposit with the broker an amount of cash or debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold.

The Private Funds may attempt to limit their exposure to a possible market decline in the value of its portfolio securities through short sales of securities that Archon believes possess volatility characteristics similar to those being hedged. The Private Funds may also use short sales for non-hedging purposes to pursue their investment objectives if, in Archon's view, the security is over-valued in relation to the issuer's prospects for earnings growth. Short selling is speculative in nature and, in certain circumstances, can substantially increase the effect of adverse price movements on the Private Funds' portfolios. A short sale of a security involves the risk of an unlimited increase in the market price of the security that can in turn result in an inability to cover the short position and a theoretically unlimited loss. There is the risk that the securities borrowed by the Private Funds in connection with a short sale would need to be returned to the securities lender on little notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Private Funds might be compelled, at a disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Risk of Leverage - the interest expense and other costs incurred in connection with borrowing may not be recovered by appreciation in the investments purchased or carried. Gains realized with borrowed funds by the Private Funds may cause their net assets to increase at a faster rate than would be the case without borrowings. If, however, investment results fail to cover the cost of borrowings, the net assets of the Private Funds could also decrease faster than if there had been no borrowings. In addition, unanticipated increases in applicable margin requirements could adversely affect the liquidity of the Private Funds and therefore adversely affect their performance.

ITEM 9. Disciplinary Information

Item 9 is not applicable to Archon, as it has no reportable material legal or disciplinary events.

ITEM 10. Other Financial Industry Activities and Affiliations

Related General Partners

Archon's direct owners own and control Archon Partners GP LLC, the general partner of the Archon Partners Fund, and Archon Focus GP LLC, the general partner of the Archon Focus Fund. The general partners, among other things, have full and complete control of all of the affairs of the Private Funds and receive Performance Allocations from the Private Funds.

As a result of these relationships, Archon and/or its related persons exert control over the Private Funds, as described in greater detail below under Item 15. "Custody".

ITEM 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Archon has adopted a written Code of Ethics, which includes a Personal Securities Transactions policy and procedures. Archon provides a copy of its Code of Ethics to any investor or prospective investor upon request. Archon's Code of Ethics requires, among other things, that employees:

- Act with competence, dignity, integrity, and in an ethical manner, when dealing with Clients, the public, prospects, third-party service providers, and fellow employees;
- Adhere to the highest standards with respect to potential conflicts of interest with Clients;
- Act in Clients' best interests and never benefit at the expense of any Client;
- Conduct all personal securities transactions in a manner consistent with the Personal Securities Transactions policy and procedures;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, trading, promoting Archon's services, and engaging in other professional activities; and
- Comply with the spirit and letter of the Federal Securities Laws and the rules governing the capital markets.

Archon's Personal Securities Transactions policy and procedures requires employees to, among other things: (1) pre-clear personal securities transactions involving initial public offerings, private placements and securities held by the Private Funds, (2) report personal securities transactions over which such employees have a direct or indirect beneficial interest on at least a quarterly basis not later than 30 days after the prior calendar quarter-end, (3) provide Archon with a detailed summary of securities accounts and holdings (both initially upon commencement of employment and annually within 45 days of calendar year-end as of December 31) over which such employees have a direct or indirect beneficial interest, and (4) report any violations of the Code of Ethics to the Chief Compliance Officer. Archon's restrictions on personal securities trading apply to employees and their immediate family members living in the same household.

The Code of Ethics requires the Chief Compliance Officer to regularly monitor all trading activity in employees' personal accounts, including those of any immediate family members living in the same household, to determine whether the activity is consistent with the requirements set forth in the Code of Ethics and does not otherwise raise any potential compliance concerns.

Personal Securities Transactions

Archon's employees are generally permitted to trade in their personal accounts the same securities traded and held in Client accounts as long as the employees do not improperly use confidential or proprietary information (e.g., knowledge of Client holdings and transactions, material non-public information inadvertently received by Archon or its employees, etc.) when making their personal trading decisions. While Employees are generally prohibited from trading in their personal accounts in securities being traded in the Funds, Archon evaluates all preclearance requests for personal securities transactions in securities held by the Funds on a case by case basis, to determine if such

transaction creates a potential conflict of interest. Allowing employees to trade in the same securities as Clients presents various potential conflicts of interest. For example, employees could theoretically attempt to time their personal trades to benefit from any potential impact Client trades might have on the price of a security or otherwise attempt to obtain a more favorable purchase, sale, short, or cover price than Clients obtain. In addition, employees and Clients could potentially take opposing positions (i.e., an employee account takes a long position when a Client account takes a short position, or vice versa) and thus the employee could potentially experience a conflict between acting in his/her own best interest versus the Client's best interest. Finally, employees could devote excessive time/use limited resources towards managing their personal trading accounts and thus neglect Client accounts. The Chief Compliance Officer, among other things, monitors employee trading relative to Client trading to ensure that employees do not engage in improper personal securities transactions and to otherwise detect and prevent potential conflicts of interest.

ITEM 12. Brokerage Practices

Brokerage Policy and Procedures

When selecting a broker, Archon primarily considers such factors as the reasonableness of the commission rate charged, the quality of execution (i.e., the price obtained in consideration of listed ask and bid prices and the opportunity for price improvement), the overall skill the broker or dealer has exhibited when effecting securities transactions (i.e., market impact, speed of execution, expertise with difficult to trade securities, anonymity, trading style and strategy, frequency of trading errors, etc.), liquidity considerations, geographic location of the broker or dealer, and any brokerage-related and research-related products and services provided by such broker or dealer. In placing orders, Archon seeks to obtain the best price and execution for securities transactions made on behalf of the Private Funds in consideration of such qualitative and quantitative factors.

Archon uses and generally executes all transactions with the prime broker that it has selected for the Private Funds. Archon can also trade Client accounts held at the prime broker through other brokers or dealers. Archon considers, as part of its duty to seek best execution, any additional trade-away fees and any other applicable cost considerations in determining whether to trade through the prime broker or other brokers or dealers. Archon receives certain customary products and services from the prime broker, which are used on behalf of its Private Funds, such as trade clearing, settlement, cash management, and/or stock borrowing capability. Archon may also receive the following products and services free of separate charge or at discounted rates from its prime broker as imputed by the bundled cost of doing business with the prime broker:

- Proprietary research and access to sell-side analysts;
- The receipt of duplicate Client confirmations, statements, and other account information;
- Direct advisory fee debiting capabilities;
- Access to an electronic network for order entry; and/or

- Portfolio management systems, software, and/or support that assist Archon’s investment research processes.

Archon does not believe that Clients bear any additional costs beyond spreads and negotiated commission rates in connection with Archon’s receipt of such products and services. Furthermore, the provision of these products and services is not contingent upon Archon formally committing any specific amount of business. However, Archon would not receive these products and services if the Private Funds’ accounts were not held in custody by the prime broker or traded through the prime broker. Archon’s receipt of these products and services creates a potential conflict of interest in connection with Archon’s selection of the prime broker because Archon would otherwise most likely have to pay for such items out of its own pocket.

Best Execution

Archon owes a fiduciary duty to its clients to achieve best execution when placing trades. Although best execution is not defined in the U.S. federal securities laws and there is no uniform definition, the SEC has described best execution as a duty to execute transactions for a client so that the client’s costs or proceeds in each transaction are the most favorable under the circumstances.³ In addition, whenever trading may create a conflicting interest between Archon and its clients, Archon has an obligation, before engaging in the activity, to obtain the informed consent from its clients after providing full and fair disclosure of all material facts.

Archon conducts quarterly reviews to evaluate whether it is obtaining best execution for its clients and whether its policies and procedures are being followed. The ultimate goal of the review is to determine whether the totality of the services received by the investment adviser and its clients were adequate in light of the commissions paid. As part of the review process, Archon also reviews its existing best execution policies at least annually to ensure that they adequately protect the interests of their clients and are appropriate for their business and address any potential conflicts.

The SEC has stated that an adviser’s assessment of best execution may also be impacted by the adviser’s receipt of brokerage and research services (“soft dollar arrangements”). Under Section 28(e) of the Securities Exchange Act of 1934 (the “Exchange Act”), an adviser is permitted to pay more than the lowest commission rate in soft dollar arrangements without breaching its fiduciary obligation, provided that certain specified conditions are met. However, where a product or service obtained with client commissions also serves other functions that are not related to the making of investment decisions (“mixed use”), the adviser must make a reasonable allocation of the costs of the product or service according to its use and keep adequate books and records concerning such allocation. Advisers must disclose soft dollar arrangements and must provide more detailed disclosure when the products or services they receive do not qualify for Section 28(e)’s safe harbor.

Soft Dollar Benefits

³ *Interpretive Release Concerning the Scope of Section 28(e) of the Securities Exchange Act of 1934 and Related Matters*, Exchange Act Rel. No. 23170 (Apr. 28, 1986); see also *Commission Guidance Regarding Client Commission Practices under Section 28(e) of the Securities Exchange Act of 1934*, Exchange Act Rel. No. 54165 (July 18, 2006).

Where Archon determines that it may obtain best price and execution, Archon may execute securities transactions through brokers or dealers that provide brokerage-related and research-related products and services to Archon at a rate that may not provide the lowest possible absolute execution. This may include the receipt of both proprietary and third-party research- and/or brokerage-related products and services.

When Archon uses Client brokerage commissions (or markups or markdowns in certain eligible riskless principal transactions) to obtain Section 28(e)-eligible research or brokerage products or services necessary to provide expert investment advice and efficient trade execution and settlement to/for its Clients, Archon also receives an indirect benefit because Archon neither has to produce or pay for such products and services nor request and obtain reimbursement for such products or services from its Clients. As such, Archon may have an incentive to select or recommend a broker or dealer based on Archon's interest in receiving the products or services, rather than on the Private Funds' interest in receiving the most favorable absolute execution.

In addition, if Archon determines in good faith that the amount of transaction costs charged by a broker or dealer is reasonable in relation to the value of the products and services provided by the executing broker or dealer, Archon may utilize such broker or dealer despite the fact that the transaction costs of another broker or dealer might be lower. Put another way, Archon may cause Clients to pay commissions (or markups or markdowns in certain eligible riskless principal transactions) higher than those charged by other brokers or dealers in return for soft dollar benefits (known as paying-up).

Further, the products and services furnished by brokers or dealers through which Archon effects securities transactions are used by Archon in carrying out its investment management responsibilities with respect to all of its Private Funds' accounts and not only those that paid for the benefits. Archon does not systematically seek to allocate any soft dollar benefits received to the Private Fund accounts proportionately to any soft dollar credits such accounts may generate or to the amount of volume of trading activity or commission revenues each Private Fund contributed to the broker or dealer providing the benefits.

Archon has a soft dollar/commission sharing arrangement and uses soft dollars to pay for research, market data services, and exchange fees. These products and services are designed to augment Archon's own internal investment research and investment strategy capabilities. As a general policy Archon intends to acquire products and services that fall within the safe harbor described in Section 28(e) Exchange Act. Archon may acquire the following types of products and services if transaction costs appear reasonable in relation to the perceived value of such products and services plus the value of the brokerage execution services provided:

- Advice, provided directly or through publications or writings, as to the value of securities, the advisability of investing in, purchasing, or selling securities, and the availability of securities or trading counterparties;
- Analyses and reports concerning issuers, industries, securities, economic factors and trends, and portfolio strategy; and/or

- Products and services that assist Archon in effecting securities transactions and performing associated functions such as clearance, settlement, and custody.

More specifically, Archon acquires the following types of products and services with Client brokerage commissions (or markups or markdowns in certain eligible riskless principal transactions):

- Research reports;
- Discussions with research analysts and meetings with corporate executives;
- Fees to attend conferences or seminars that provide substantive content regarding issuers, industries, and/or securities;
- Research related to the market for securities, such as trade analytics (including analytics available through order management systems), and advice on market color and execution strategies;
- Market, financial, economic, and similar data; and/or
- Pre-trade and post-trade analytics used during the investment decision-making process.

Archon directed Private Fund transactions to a particular broker-dealer in return for soft dollar benefits received during its last fiscal year, and the products and services fell within the categories described above. Archon has adopted a Soft Dollars Policy and Procedures that specifies that Archon generally only uses soft dollars to obtain products and services that fall within the safe harbor provided by Section 28(e) of the Exchange Act. The policy and procedures require the Chief Compliance Officer to review and approve any new soft dollar arrangements, which Archon must document using a written agreement executed by Archon and the broker or dealer. In addition, the Chief Compliance Officer must review and approve the use of soft dollars to obtain any new products or services. The review will address the following: whether the product or service is eligible under the Section 28(e) safe harbor based on the nature of the item and how Archon's employees use the item; whether the product or service should be paid for in whole or in part using soft dollars; and whether the use of soft dollars to obtain the product or service requires additional disclosures to investors.

Archon intends to allocate the cost of any mixed-use products or services (i.e., those that only partially fall within the Section 28(e) safe harbor based on the nature of the item and how Archon's employees use the item) between hard dollars and soft dollars in good faith. For each mixed-use product or service, the Chief Compliance Officer: determines an appropriate allocation methodology; determine an appropriate allocation; maintains documentation necessary to demonstrate that Archon made the mixed-use allocation in good faith; and ensures that Archon discloses that it pays for part of the product or service with soft dollars, and that Archon faces a conflict of interest when allocating costs between hard dollars and soft dollars. Archon intends to use its own hard dollars to pay for the portion of any soft dollar product or service that does not fall within the Section 28(e) safe harbor. Archon faces a conflict of interest when allocating costs

between hard dollars and soft dollars because the use of soft dollars to pay for products or services reduces the hard dollars Archon must pay out of its own pocket to obtain such products or services.

Client Referrals

Archon does not consider Client or investor referrals from broker-dealers or other third parties in selecting or recommending the prime broker, brokers, or dealers used to execute Client transactions.

Aggregated Trades

Archon generally makes investment decisions on a case-by-case basis for the Private Funds. Archon generally enters each individual trade for each Client into the REDIPlus electronic trading platform (“REDIPlus”) separately. As such, Archon does not typically aggregate trades when trading the same securities on the same day for the Private Funds, but reserves the right to do so if it believes this would serve the best interests of the Private Funds. When an aggregated trade occurs, participants in an aggregated trade receive the same average price and incur their pro rata share of trading costs, subject to minimum ticket charges. Factors such as differing cash flows (e.g., subscriptions and withdrawals by investors of particular Private Funds), cash availability, differing investment objectives, and any other relevant factors may cause Archon to recommend transactions only for a particular Private Fund or to not recommend for a particular Private Fund a trade executed for another Private Fund.

In determining the pre-trade allocation, the portfolio managers will consider each participating account’s size, diversification, cash availability, investment objectives, and any other relevant factors. If Archon is unable to document a pre-trade allocation (e.g., an investment opportunity is available for a limited time), then Archon will set the order size based on an estimate of the appropriate level of participation for the Private Funds. Archon will determine and document the allocation for the trade no later than the close of business on the trade date.

If Archon decides to submit a new trade order for a security where an aggregated trade is already pending, Archon will instruct the broker-dealer to allocate all securities already traded to the original aggregated trade’s participants on a pro-rata basis, and will then form a new aggregated trade that includes the new order, as well as the unfilled portion of the original order. As mentioned above, participants in an aggregated trade receive the same average price and incur their pro rata share of trading costs, subject to minimum ticket charges.

If the aggregated trade is partially-filled at the end of the day, Archon will instruct the broker-dealer to allocate the trade pro-rata based on the pre-trade allocation. Exceptions to pro-rata allocations may occur to avoid de minimis allocations and/or odd lot positions. Private Funds participating in a partially-filled aggregated trade receive the same average price and incur their pro rata share of trading costs, subject to minimum ticket charges.

Trade Order Entry

Portfolio decisions are made on a case-by-case basis for each Private Fund and this may result in different timing on trades and thus different execution prices when overlap exists among the Private

Funds' portfolios. The Private Funds may trade independently due to, among other things, cash flows (i.e., subscriptions and redemptions) and differing investment objectives and restrictions. In some instances, the Private Funds may trade separately instead of participating in a block trade when trading in the same security, on the same day. However, Archon generally trades in a manner designed to achieve a volume weighted average price with the intention of minimizing execution price dispersion among the Private Funds. Archon has adopted policies and procedures that stipulate that under no circumstance may the timing of trading decisions serve to systematically advantage or disadvantage any particular Client over time.

Trade Errors

Both gains and losses resulting from trade errors are borne by the Private Funds unless an error is the result of bad faith, gross negligence, or willful misconduct by Archon in which case Archon bears any losses. The fact that Archon makes the determination as to whether an error results in bad faith, gross negligence, or willful misconduct represents a conflict of interest because the determination decides whether Archon or the Private Funds bear the cost of losses due to trade errors. In order to mitigate this conflict, the Chief Compliance Officer and the portfolio managers must reach a consensus on such determinations. To the extent that a consensus cannot be reached, Archon reserves the right to consult with outside counsel to assist in making the determination as to whether Archon or the Private Funds should bear the impact of losses due to trade errors.

ITEM 13. Review of Accounts

Reviews

Reviews of Client accounts occur on a daily basis. These reviews include, among other things, an assessment of: the valuations of the individual securities within the portfolio, the portfolio weightings of individual positions, the level of available cash and equivalents, and the various industry concentrations. The goal of these reviews is to keep the individual portfolios invested in securities that will create value for the Client over time. All Private Funds managed by Archon are also reviewed at least on a monthly basis to assure conformity with the objectives and guidelines of each Private Fund.

As portfolios are reviewed daily, no single event is likely to be seen as a triggering factor for more frequent reviews. However, specific portfolio reviews could be triggered by a dramatic change in the intra-day market price of a security either within or outside of the portfolios. If, for example, a security within the portfolio has unexpectedly appreciated to the point where it has reached a full and fair valuation, Archon may consider selling all or part of the position at that time. The sale (as well as any purchase) of a security is undertaken on a case-by-case basis and includes a thorough review of the valuation metrics, current and future business opportunities, tax implications, and risk versus reward from the current stock price level.

Archon's Managing Partner, Bradley A. Roberts, and Partner, Joseph E. Sheehan, conduct such reviews.

Reports

Investors in the Private Funds receive an unaudited financial statement of such investor's capital account balance and changes that occurred for the quarter, generally within 45 days after the end of each of the first three quarters of each fiscal year (or as soon as reasonably practicable thereafter).

Investors in the Private Funds receive a copy of an annual report containing financial statements audited by the Private Fund's independent certified public accountant, generally within 90 days after the close of each fiscal year (or as soon as reasonably practicable thereafter). In addition, generally within 90 days after the close of each fiscal year (or as soon as reasonably practicable thereafter), investors receive information necessary for tax reporting. This includes a Schedule K-1 (or other similar report). From time to time, and no less frequently than following the end of each fiscal quarter, investors receive unaudited, interim financial information.

ITEM 14. Client Referrals and Other Compensation

Currently, Archon does not directly or indirectly compensate any third-parties for Client or investor referrals.

Other than the products and services that Archon receives from the prime broker, other brokers, and other dealers as described in greater detail above under Item 12. "*Brokerage Practices*", Archon does not receive any other economic benefits from non-Clients in connection with the provision of investment advice to Clients. The receipt of such products and services presents a conflict of interest between Archon selecting another prime broker, other brokers, and other dealers that provide best execution on Client transactions (or the best overall product or service in relation to the cost for non-execution-related products and services) versus those who provide the greatest economic benefit to Archon. As described in greater detail above under Item 12. "*Brokerage Practices*", Archon assesses a number of factors in selecting such service providers and believes it has adopted an objective review process that mitigates this conflict in practice.

ITEM 15. Custody

All Client assets are held in custody by unaffiliated broker-dealers or banks; however, Archon has full access to and authority over Client accounts since Archon or an affiliate serves as the general partner of the Private Funds. Investors in the Private Funds do not receive fund-level statements from the custodians. Instead the Private Funds are subject to an annual audit conducted in accordance with U.S. Generally Accepted Auditing Standards and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles and distributed within 90 days (or as soon as reasonably practicable thereafter) of each Private Fund's fiscal year end, but not later than 120 days after each Private Fund's fiscal year end.

ITEM 16. Investment Discretion

Pursuant to the written investment management agreement with the Private Funds, Archon generally has discretionary authority to determine, without obtaining specific consent from the Private Funds or their investors, (1) the specific securities, (2) the amount of such securities to be bought or sold, (3) the brokers, dealers, or other counterparties to use to execute securities transactions, and (4) the commission rate negotiated with such brokers, dealers, or other counterparties. Investors consent to such authority by signing and dating subscription agreements. Powers of attorney and any restrictions on Archon's authority are set forth in the organizational documents, PPMs and subscription documents of the Private Funds.

ITEM 17. Voting Client Securities

Archon has the authority to vote proxies for its private funds, and has retained EC Proxy to assist in the proxy voting process. In accordance with its fiduciary duty to Clients and Rule 206(4)-6 under the Investment Advisers Act of 1940, Archon has adopted and implemented a written policy and procedures governing the voting of Private Fund securities. All proxies that Archon receives are treated in accordance with these policies and procedures. Archon intends to vote proxies in accordance with the best economic interests of its Private Funds and has outsourced proxy voting functions to a third-party service provider. As a matter of policy, investors cannot direct Archon how to vote in a particular proxy solicitation. EC Proxy votes all proxies on behalf of Archon following set proxy voting guidelines provided to EC Proxy by Archon's investment staff. Archon believes these guidelines serve the best interest of its Clients and are designed to maximize value of Clients' assets. Archon's investment staff and CCO review the guidelines annually and approve in writing any changes to the proxy voting guidelines used by the EC Proxy. Archon reserves the right to abstain from proxy votes when (i) in the reasonable opinion of Archon, the outcome of the vote most likely will not be determined by how Archon may vote and thus the cost and burden of voting appears to exceed the potential benefit to the Client or (ii) the subject of the vote does not appear likely to have a material impact on the value of the investment held by the Client. In addition, Archon may be unable to vote Securities that have been lent by the custodian. Further, proxy voting in certain countries involves "share blocking," which limits Archon's ability to sell the affected Security during a blocking period that can last for several weeks. Archon believes that the potential consequences of being unable to sell a Security usually outweigh the benefits of participating in a proxy vote, so Archon generally abstains from voting when share blocking is required.

Archon endeavors to resolve any conflicts of interest exclusively in the best economic interests of Clients. Archon has not identified any material conflicts of interest in connection with past proxy votes. However, such a conflict could arise if, as one example, a Private Fund investor serves as a senior executive with, or a director of, a publicly traded company and the Private Fund holds securities issued by that company. If Archon identifies a material conflict of interest, including one between Archon and the Private Funds or their underlying investors, Archon follows the EC Proxy's voting recommendation.

A copy of Archon's proxy voting policy and procedures and specific information about how Archon has voted proxies in the past is available to Private Fund investors upon request free-of-charge. To make such a request, please contact Christine Olenchak at (212) 484-3100.

Class Actions

Archon's philosophy is to invest in securities based on the company's management. Archon does not direct Client's participation in class actions as they do not believe them to be supportive of management and are not beneficial to the Funds' investments. Archon generally does not serve as the lead plaintiff in class actions because the costs of such participation typically exceed any extra benefits that accrue to lead plaintiffs.

ITEM 18. Financial Information

Archon does not require or solicit prepayment of any fees six months or more in advance, is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Clients, and has never filed for bankruptcy.

ITEM 19. Requirements for State-Registered Advisers

Item 19 is not applicable to Archon as it is not registered with any state securities authority.