

FIRM BROCHURE

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THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF WATER STREET CAPITAL, INC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT (904) 355-5959, OR BY EMAIL AT JADAMS@WSCAPITAL.COM. THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES AUTHORITY.

Additional information about Water Street Capital, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2
MATERIAL CHANGES

This brochure includes no material changes since the brochure dated March 28, 2018.

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ITEM 4

ADVISORY BUSINESS

FIRM DESCRIPTION

Water Street Capital, Inc. (“WSC” or “we”) is a Florida corporation formed in 1987, and is located in Jacksonville, Florida. We are a private investment advisory firm providing investment management services to private pooled investment vehicles and to one managed account. WS Management, LLLP (“WSM”), an affiliate of WSC, is a Florida limited liability limited partnership, which acts as the general partner for five domestic funds and as the investment manager for two offshore funds, including the managed account. Gilchrist B. Berg is the principal owner and President of WSC and the managing general partner of WSM. Mr. Berg has ultimate responsibility for the management, operations and investment decisions made by WSC. WSC has full discretionary authority with respect to investment decisions, and our investment advice is provided in accordance with the investment objectives and guidelines set forth in the applicable offering materials and/or governing documents for the various funds.

ADVISORY SERVICES

WSC serves as the advisory management company for five Florida limited partnerships, each a “Fund” and as a group the “US Funds”. The interests in these U.S. Funds are offered on a private placement basis, and in compliance with the exemptions provided by Section 3(c)(1) of the Investment Company Act of 1940 to persons who are “accredited investors” as defined under the Securities Act of 1933 for one partnership and, for the other partnerships, in compliance with the exemptions provided by Section 3(c)(7) “qualified purchasers” (or “knowledgeable employees”) as defined under the Investment Company Act of 1940, and subject to other conditions, which are set forth in the offering documents for the partnerships.

WSM is the investment manager for two offshore corporations, including one managed account, each a “Fund” and as a group the “Offshore Funds”. Shares of one of the Offshore Funds are offered on a private placement basis to investors who are not “U.S. Persons”, as defined under Regulation S of the Securities Act of 1933, and to U.S. tax-exempt entities (or entities substantially comprised of U.S. tax-exempt entities), that are “qualified purchasers” (and subject to other conditions) which are set forth in the offering documents.

Our advisory services are provided in accordance with the investment objectives, policies and guidelines set forth in the applicable offering documents and/or governing documents and are not tailored to the individual needs of any investor. **See Item 8.** As private investment vehicles, the Funds, with the exception of the managed account, do not impose restrictions on investments in certain securities or types of securities. Any such restrictions are determined by the Adviser and are disclosed in the offering documents.

As used herein, the term “client” generally refers to each of the Funds and the single separately managed account.

ASSETS UNDER MANAGEMENT

As of December 31, 2018, we had approximately \$3.075 billion in assets under management in the seven Funds.

ITEM 5 FEES AND COMPENSATION

DESCRIPTION OF COMPENSATION AND FEE SCHEDULE

We and/or certain of our affiliates generally are entitled to receive management fees and incentive-based fees for our advisory services. The fees for each Fund are described in detail in the applicable governing and/or offering documents. A brief summary of these fees is set forth below.

U.S. Funds

With respect to most U.S. Funds, we are entitled to receive a management fee, payable quarterly in advance, equal to 0.25% (1.0% per annum) of the partnership's net assets as of the first day of each fiscal quarter. Amounts invested after January 3, 2006 in one of the Funds (Series B Interests) are charged a management fee, payable quarterly in advance, equal to 0.50% (2.0% per annum).

In addition, WSM is entitled to receive an incentive allocation equal to 20% of the annual increase (including net unrealized gains and excluding contributions), if any, in the net asset value of each limited partner's capital account (excluding limited partnership accounts held by employees). Incentive allocations are subject to a "high water mark" limitation, whereby a "loss recovery account" is maintained with respect to each limited partner. Any decrease in the net asset value in a fiscal year allocated to any limited partner's capital account (excluding contributions and withdrawals) is carried forward in a loss recovery account so that no incentive allocation is charged to that capital account unless the losses have been recouped in full. For more details regarding the high water mark, please refer to the offering memorandum of each Fund. **See Item 6.**

Offshore Funds

With respect to one of the Offshore Funds, we are entitled to receive a management fee, payable quarterly in advance, equal to 0.25% (1.0% per annum) of the net asset value as of the first day of each fiscal quarter for amounts invested prior to January 3, 2006. With respect to the managed account, we are entitled to receive a management fee, payable quarterly in arrears, equal to one-twelfth of one percent (1.0% per annum) of the net asset value as of the first day of each month.

In addition, WSM is entitled to receive an incentive allocation equal to 20% of the annual increase (including net unrealized gains and excluding contributions), if any, in the net asset value of each shareholder's capital account. Incentive allocations are subject to a "high water mark" limitation, whereby a "loss recovery account" is maintained with respect to each shareholder. Any decrease in the net asset value in a fiscal year allocated to any shareholder's capital account (excluding contributions and withdrawals) is carried forward in a loss recovery account so that no incentive allocation is charged to that capital account unless the losses have been recouped in full. For more details regarding the high water mark, please refer to the offering memorandum of each Fund. **See Item 6.**

PAYMENT OF FEES

As outlined above, management fees are payable by investors and are generally deducted quarterly in advance from the assets of the Funds. In the event that a Fund is dissolved or our advisory services are terminated prior to the end of any fiscal quarter, then a pro rata amount of such management fee will be refunded to all applicable investors.

Incentive-based fees are deducted directly from the capital account of each investor generally on an annual basis at year-end and also at such other times as set forth in the applicable partnership agreements (e.g., a mid-year redemption).

OTHER FEES AND EXPENSES

The Funds generally pay all investment expenses, including but not limited to (i) interest, commissions and brokerage fees, custodial fees and bank service fees (**see Item 12**); (ii) transfer, capital and other taxes, duties and costs incurred in connection with the acquisition, holding and disposition of securities or other investments and of transfers thereof; (iii) research or consulting fees to consultants or the like in connection with evaluating investments; and (iv) legal, accounting or other professional fees and expenses related in any way to investment decisions of the Fund. In addition, the Fund will bear the following expenses: (i) fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims by or against the Fund; (ii) fees incurred for a third-party administrator; and (iii) insurance premiums, if any, for insurance purchased.

WITHDRAWALS

Subject to the terms and conditions disclosed in the applicable offering documents, if an investor has owned his interest in a Fund for at least two years, he may withdraw all or any portion of that interest as of the end of any semiannual period ending on or after the expiration of the two-year lockup period. The investor has to provide to the Fund a written notice of his intention at least 60 days prior to the proposed withdrawal date. Investors in the Funds are also permitted to make withdrawals in certain other circumstances, as described in the applicable offering documents. The Fund has the right to require any investor to withdraw from the Fund at any time for any reason upon written notice to such investor specifying the withdrawal date. We will use commercially reasonable efforts to cause at least 90% of any estimated withdrawal amount to be paid within ten days of the applicable withdrawal date. Any remaining balance will be settled not later than 30 days following the completion of the audit of the Fund's financial statements for the applicable fiscal year.

With respect to any limited partner permitted or required to withdraw as of any time other than the end of a performance period, incentive allocations will be made on the basis of the proportion of net capital appreciation (excluding contributions and withdrawals) allocated to such limited partners' capital account through the withdrawal date, after giving effect to any loss recovery amounts.

ITEM 6

PERFORMANCE-BASED FEES

We accept performance-based fees from every client. As a result, we generally do not face the level of conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients. WSC is committed to allocating investment opportunities on an equitable basis and has established order aggregation and allocation policies and procedures to address the potential conflicts of interest. In the event that investors in a Fund have a high water mark, as discussed in **Item 5**, there may be an incentive to allocate favorable investments to the Funds with the lowest loss recovery accounts. We alleviate this potential conflict of interest by allocating investment opportunities, as described in **Item 12**, without regard to loss recovery accounts.

ITEM 7
TYPES OF CLIENTS

The Funds, which are private pooled investment vehicles and one managed account (which is an institutional investor) are our sole advisory clients. Within the Funds, investors may include high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, partnerships, endowments and employees. The minimum initial capital contribution required from an investor is \$1,000,000, although capital contributions of lesser amounts may be accepted at our discretion.

ITEM 8
METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Our core investment strategy is to buy undervalued companies run by solid management teams and short overvalued companies run by inadequate management teams. We base our research process on fundamental analysis of companies on both the long and short side of our portfolio. We perform our own detailed research, relying on industry sources, competitors and inquiries of management. We strive to understand the industry structure, a company's place in that industry, and a company's strengths and weaknesses versus its current and potential competitors. While we have broad authority in the selection of the Funds' investments, our investment criteria are based on value rather than technical analysis.

Based upon our research, we attempt to take long positions in companies that we believe will appreciate substantially in market value and short positions in companies that we believe will decrease substantially in market value. While remaining cognizant of the short-term risks to our investments, we take a long-term view when we make an investment. We subscribe to the value-investment maxim of being prepared to see the exchange shut down for a period of years when analyzing potential investments. In terms of exposure, we maintain our gross, net and industry exposures in a way to attempt to maximize our risk-adjusted returns.

The descriptions set forth in this brochure of the specific advisory services that we offer to clients and investment strategies pursued and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that we consider appropriate, subject to each client's investment objectives and guidelines.

MATERIAL, SIGNIFICANT OR UNUSUAL RISKS RELATING TO INVESTMENT STRATEGIES

The pursued investment strategies are speculative and entail substantial risks. Investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any investor will be achieved.

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

Market Risks. The market price of securities owned by the Funds may go up or down due to changes in general market conditions which are not specifically related to a particular company. The business of the Funds is to invest in securities and to use investment techniques that involve substantial risk. Instability in global securities markets and significant fluctuations in the market prices of securities may affect the value of the investments held by the Funds potentially resulting in a loss of capital. Events, such as natural catastrophes or acts of terrorism, both domestically and internationally, can lead to increased market volatility and possibly have long-term effects on markets and market participants.

Reliance on Key Personnel. The success of the Funds is particularly dependent upon the efforts of our key employees, in particular Mr. Gilchrist Berg. If Mr. Berg or other key personnel were to leave, the performance of the Funds could, as a result, be adversely affected.

Concentration of Investments. We consider the Funds generally to be diversified. We are not obligated to limit the amount of capital that may be committed to any one industry; however, we are not permitted to invest more than 20-25% of a Fund's net worth (dependent on the particular Fund's guidelines) at any one time in a long position in any single issuer or to allow the value of any single short position to increase as a result of losses to more than 15-25% of a Fund's net worth (dependent on the particular Fund's guidelines) at any one time. We are also not obligated to limit the amount of capital that may be committed to any one country; however, we are not permitted to invest more than 30% of a Fund's net worth in securities of foreign issuers. We are not obligated to hedge any positions within the Funds.

Short Selling. Short selling involves selling securities that are not owned by the short seller and delivering borrowed securities to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in the market price of a security. Short selling transactions expose the Funds to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without limit. There is the risk that the securities borrowed by the Funds in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of the securities occurs, the Funds might be forced to replace the borrowed securities with purchases on the open market, possibly at prices that generate a significant loss. The Funds' investment limitations, as previously discussed, require that we cover the position at the time that the value of any short position increases to more than 15-25% of the Fund's net worth (dependent on the particular Fund's guidelines). These limitations could force us to purchase securities at inopportune times. Until the security is returned, the Fund is required to pay to the lender amounts equal to any dividends or interest that accrue during the period of the loan. In addition, to borrow the security, the Fund may be required to pay a stock borrow fee, which would increase the cost of the security sold.

In September 2008, the SEC issued an emergency order to temporarily ban short-selling of any publicly traded securities of enumerated "financial" firms and require institutional investment managers, including hedge fund managers, to make weekly disclosure of short positions on publicly traded equity securities held each day of that week. Other non-U.S. jurisdictions where the Funds trade may have similar reporting requirements. If our short positions become generally known, it could have an adverse effect on our ability to access management and other personnel at certain companies where we seek to take a short position. In addition, the cost of borrowing securities to sell short could increase and the availability of such securities could decrease if other investors seek to duplicate our portfolio. Any restrictions on short selling in the future may have a material adverse effect on the Fund's ability to execute its investment strategy.

Leverage. We may utilize leverage in investing the Funds' assets. While the use of borrowed funds presents opportunities for increasing Fund returns if we earn more on the borrowed funds than the cost of the borrow, it has the effect of potentially increasing losses; in other words, performance may be more volatile than if the Funds were not leveraged. Any use of short-term margin borrowings will result in certain additional risks to the Funds including, for example, a "margin call," where additional cash or securities would be required to be deposited with the broker or where we may have to liquidate the pledged securities to pay off the loan. Margin calls could force the Fund to have to liquidate assets quickly, and not for fair value, in order to pay off its margin debt.

Investment in Illiquid Securities and Other Investment Vehicles. We may invest in illiquid securities, including private equity, restricted securities, unregistered investment vehicles, master limited partnerships or other permitted investments, the value of which is not readily or reliably ascertainable

and/or which may have a relatively long-term investment horizon. Should we make any such investments, the total may not exceed 10% of a Fund's total net assets at the time the investment is made. According to the Fund's governing documents, the general partner will value these investments at fair market value, but in many cases fair market value may be difficult to ascertain. Because these types of investments may require a substantial length of time to liquidate, there is a significant risk that a Fund may be unable to realize its investment objectives by sale or other disposition at attractive prices, or will otherwise be unable to complete any exit strategy, of its investments.

Foreign Securities. We invest in both long and short non-U.S. securities; however, the Fund may invest no more than 30% of its net worth in foreign securities. These investments may be subject to greater risk than U.S. investments for a number of reasons, including, but not limited to: (i) unfavorable changes in currency exchange rates, (ii) expropriation of assets, (iii) exchange control regulations, (iv) taxes on dividends, interest payments, or capital gains, (v) illiquid markets, (vi) higher commission rates, and (vii) inadequate accounting and reporting requirements.

Forward Contracts. Forward contracts and options thereon are not traded on exchanges and are not standardized. Banks and dealers act as principals in these negotiated markets, thereby creating counterparty risk. Forward trading is substantially unregulated, with no limitations on price movements or speculative positions. We trade forwards typically in connection with purchases or short sales of foreign securities, where we need to settle the trade in the foreign currency. The forwards are generally of short duration. The Funds would be at risk if a dealer failed to perform its obligation and/or the currency moves against us.

Options. We engage in various option trading investment strategies. Options are investments whose ultimate value is determined from the value of the underlying investment. Option strategies can be quite complicated and have a higher level of risk than a simple equity strategy. We may buy or sell (write) both call options and put options. Option transactions may be part of a hedging strategy (*i.e.*, offsetting the risk involved in another securities position) or a form of leverage, in which we have the right to benefit from price movements in a large number of securities with a small commitment of capital. Unlike exchange-traded options, the terms of over-the-counter options are generally established through negotiation with the other party to the contract, which provides flexibility. Over-the-counter options generally involve greater counterparty credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

Futures and Related Options. A futures contract is an agreement between two parties to buy or sell a specific quantity of a commodity, a securities index or an interest-bearing security for a set price at a future date. We may also buy or sell call and put options on futures. Futures markets can be highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be employed by using futures trading. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted, and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time. Certain regulatory requirements may also limit our ability to engage in futures and options transactions.

Swaps. We utilize swap transactions in circumstances where we believe it will further the objectives of the Funds, for example, in shorting foreign stocks with prohibitive disclosure requirements or high costs of shorting the underlying equity. A swap transaction is usually based on a notional amount, which increases the leverage of the position and, therefore, the risk. Swaps are subject to counterparty credit risk.

Fixed Income. We invest primarily in equity securities. However, we may invest in bonds or other fixed-income securities, which may be below investment grade or have limited trading activity. Financial or economic conditions could lead to the issuer's inability to meet timely interest and principal payments.

Execution Risk. The Funds' investment and trading strategies depend on their ability to establish, maintain and exit a market position in a timely manner. The Funds' trading orders may not be executed in an efficient manner due to various circumstances, including, without limitation, trading volume surges or systems failures. As a result, the Funds may not be able to achieve the market position desired by us, which may result in a loss. In addition, the Funds may rely heavily on electronic execution systems, and these systems may be subject to limitations or unanticipated operational consequences, causing the interruption and/or disruption of trading orders made by the Funds.

General Risks of Derivative Instruments. We may engage in a variety of derivative transactions, which can involve risks which are different from general equity investments. Important risk factors affecting derivatives are as follows: (i) counterparty credit risk, (ii) leverage risk, (iii) documentation risk (different interpretations of the contract by parties involved), and (iv) management risk (complex derivatives require additional management controls).

ITEM 9
DISCIPLINARY INFORMATION

Neither WSC nor any WSC employees have been involved in any legal or disciplinary events related to past or present clients or investors.

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

WSM serves as the general partner of the Funds that are domestic limited partnerships and a member of management of WSM serves as a director of the offshore Fund that is not a managed account. The terms of the Funds typically provide limited voting rights to their investors. The management roles described above allow WSM to oversee and influence or control the Funds. There is a potential conflict of interest between WSM and the investors in the Funds, since WSM might have the authority to cause the Funds to act in the best interest of WSM and not the Funds' investors. This conflict is addressed through, among other things, the terms of the Funds' offering and governing documents, which impose certain constraints upon WSM, and the adoption of policies and procedures by WSM that pertain to the handling of certain potential conflicts of interest, as highlighted in this brochure.

WSC and its management are not registered as broker-dealers and do not currently have plans to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

ITEM 11
CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND
PERSONAL TRADING

CODE OF ETHICS

We have adopted and implemented a Code of Ethics. Our Code of Ethics is primarily designed to foster compliance with applicable laws, educate our employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to clients, prevent the misuse of material non-public information and set forth our personal trading policy.

PERSONAL TRADING

We impose certain restrictions on all employees relating to the purchase or sale of securities for their own accounts and accounts of certain affiliated persons. The guidelines and restrictions are all contained in our Personal Account Investing Policy, to which all employees have attested. Generally, no employee may personally trade or own any security which is on the restricted list. If any employee has any direct or indirect beneficial ownership in any security on the restricted list as of the date he or she joins WSC, any purchase or sale of that security thereafter must be cleared, in advance and in writing, by the Chief Compliance Officer or other designated person. In addition to other restrictions, employees are generally prohibited from investing in names in which the Funds are actively trading, subject to certain conditions. Employees are required to provide permission for WSC to receive electronic transmission of their trading activity and holdings. If electronic transmission is not possible, employees must provide periodic brokerage statements (or information regarding their transactions if statements are not available) to the Chief Compliance Officer or other designated person for review.

INSIDER TRADING POLICIES

The Insider Trading Policy prohibits us from trading, or recommending trading, for the Funds or ourselves in securities of a company while in possession of restricted material, non-public information about the company in violation of the law ("Inside Information"). By reason of various activities, we may become privy to Inside Information or be restricted from effecting transactions in investments that might otherwise have been initiated. We have designed and implemented policies in order to comply with the requirements of the federal securities laws relating to insider trading. Among other things, those policies and procedures seek to educate all employees on all aspects of Inside Information, minimize the receipt of Inside Information and prevent trading on the basis of Inside Information in violation of the law. Personnel are required to attend periodic training sessions and all employees must certify their compliance with the Code of Ethics, including the Insider Trading Policy, on an annual basis.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

Some of our employees invest in the Funds. We waive the performance fee with respect to accounts held by these persons.

ITEM 12

BROKERAGE PRACTICES

SELECTING BROKERAGE FIRMS

We have authority to choose the brokers and other counterparties to be used for client securities transactions and to negotiate commission rates paid by clients. We select broker-dealers on the basis of obtaining the best overall execution available, which we evaluate based on a variety of factors, including among other things: commission rates, the financial stability and reputation of the particular broker-dealer, the ability to achieve prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected and the brokerage and research services provided by such broker-dealer. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, we need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is generally not our practice to negotiate "execution only" commission rates, thus a Fund may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. We may have an incentive to select brokers based on our interest in receiving research or other products or services, rather than on our clients' interest in receiving most favorable execution. The Chief Compliance Officer, the investment team and trading personnel meet periodically to evaluate the broker-dealers used by us to execute Fund trades.

SOFT DOLLAR PRACTICES

The term "soft dollars" refers to receipt by an investment manager of products and services (including research) provided by brokers without any cash payment by the investment manager, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment manager. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation services). In the last fiscal year we used soft dollars to pay for certain research and related services. Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a safe harbor to advisers who use soft dollars generated by client accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to us in the performance of investment decision-making responsibilities. Any soft dollars that we receive are expected to be within the limitations set forth in the Exchange Act.

The use of Fund commissions to obtain research and brokerage products and services raises conflicts of interest, as WSC will not have to pay for the products and services itself. This creates an incentive for us to select or recommend a broker based on our interest in receiving those products and services, rather than the Funds' interest in receiving most favorable execution. We may cause the Funds to pay commissions higher than those charged by other brokers in return for soft dollar benefits, resulting in higher transaction costs for the Funds. Additionally, research and brokerage services obtained by the use of commissions arising from one Fund's portfolio transactions may be used by us in our other investment activities, including, for the benefit of Fund accounts other than the account generating the commissions used to obtain the research or brokerage services. We do not seek to allocate soft dollar benefits to Fund accounts proportionately to the soft dollar credits the accounts generate.

During our last fiscal year, as a result of Fund brokerage commissions, we acquired proprietary research on companies, industries and markets prepared by brokers (such as written research reports, investment ideas and market color provided to our analysts and access to brokers' own "sell-side" analysts and conferences), research prepared by third parties but paid by brokers with soft dollars (such as quotation

and news sources, access to exchange data, and subscriptions to investment newsletters and data services), and the use of trading-related software (including order management software). To the extent any of the foregoing were “mixed use” items, we would make the appropriate good faith determination and allocation as described below.

In some instances, we may obtain a product or service that is used, in part, by us for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, we will make a good faith effort to determine the relative proportion of the product or service used to assist us in carrying out investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting us in carrying out investment decision-making responsibilities will be paid through brokerage commissions generated by Fund transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by us from our own resources. The determination of the appropriate allocation of “mixed use” products and services creates a potential conflict of interest between us and the Funds.

ALLOCATION OF INVESTMENT OPPORTUNITIES

We generally allocate orders on a pro-rata basis based on the relative equity of each Fund involved in a particular trade. Because of the differences in the Funds’ investment objectives and strategies, risk tolerance, tax status and other criteria, there may however, be differences among Funds in invested positions and securities held. The following factors, among others, may be taken into account by us in allocating securities among the Funds:

- Each Funds’ investment objectives and strategies;
- any restrictions in the Funds’ offering documents;
- size of the Funds;
- nature of the security to be allocated;
- supply or demand for a security at a given price level;
- timing of cash flows and account liquidity;
- geographical concentration and exposure limits;
- industry concentration and exposure limits;
- availability and quality of stock borrow; and
- any other information determined to be relevant to the fair allocation of securities.

CROSS TRANSACTIONS

When we have significant contributions or redemptions into/from a Fund, we may rebalance the portfolio of the Fund. In the process of rebalancing, we may elect to sell securities from one or more Funds and purchase the securities for one or more other Funds in a simultaneous transaction through a crossing trade in the market, so that each Fund maintains approximately the same pro rata ownership of each securities position. A Fund could be a purchaser or a seller in a rebalancing transaction. The Funds incur favorable brokerage commission charges for crossing transactions.

AGGREGATION OF ORDERS

Where we deem it appropriate and in the best interest of clients' accounts, we aggregate orders for the purchase or sale of the same securities for the clients. When an aggregated order is filled in its entirety, each participating client account participates at the average price for the order on the same business day, and transaction costs are shared pro rata based on each client's participation in the order. When an aggregated order is only partially filled, the securities purchased or sold are allocated on a pro rata basis to each client participating in the order based upon the initial amount requested for the client, subject to certain exceptions, and each participating client participates at the average price for the order on the same business day.

ERRORS

While our goal is to execute trades accurately and seamlessly in the best interest of the advisory clients, errors can occur for a variety of reasons, and the required corrective measures may differ depending upon the nature of the error. When an error is made on behalf of an advisory client's account, we will use our best efforts to break or otherwise correct the trade as soon as practicable after discovery to ensure that advisory clients do not incur a loss. It is our policy that gains or losses due to a trade error that is not the result of gross negligence or willful misconduct will be assessed to the advisory client's account.

ITEM 13

REVIEW OF ACCOUNTS

We perform various daily, monthly, quarterly and other periodic reviews of each advisory client's portfolio. We may also conduct other reviews in the event of certain circumstances, including withdrawals or contributions of capital, or redemptions or purchases of shares, by investors in the Funds. These additional reviews are primarily under the supervision of our Chief Financial Officer.

We prepare periodic letters for two representative Funds, which are used for other similar Funds, to provide investors with performance information and other commentary potentially impacting the Funds. In addition, we make available to investors in each Fund estimates of the Fund's performance and capital account balances on a monthly basis, and on a limited basis other information we deem advisable and necessary to meet the needs of the investor (i.e. industry exposure so that an investor in multiple investment vehicles can monitor their aggregated industry risk).

Each investor in a Fund, except for the managed account, receives annual audited financial statements within 120 days following the end of each applicable Fund's fiscal year end.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

Other than with respect to soft dollars, as described in **Item 12**, we currently do not receive any economic benefit from non-clients for providing investment advice or other advisory services.

ITEM 15

CUSTODY

We may be deemed to have, on behalf of the Funds, except for the separately managed account, custody of advisory client funds and securities because we have the authority to control client funds and securities (for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account). The Funds' cash and securities are generally held with custodians and prime brokers, which act as custodians. We may enter into formal custody agreements with other firms based upon future market circumstances.

We are subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). We satisfy our requirements under the Custody Rule with respect to each Fund because we ensure that each Fund is subject to an audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and that each Fund distributes its audited financial statements to all investors within 120 days of the end of its fiscal year.

We do not have the ability to control the funds and securities of the separately managed account and are therefore not considered to have custody.

ITEM 16
INVESTMENT DISCRETION

We always obtain, subject to each Fund's investment objectives and guidelines, broad investment discretion over all client accounts. Investment discretion authority is granted to us contractually through either a limited partnership agreement or an investment management agreement. Investors do not have any ability to limit our discretionary authority in any way.

ITEM 17
VOTING CLIENT SECURITIES

We have the authority to vote proxies on behalf of the Funds. Rule 206(4)-6 under the Advisers Act requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies and procedures. In accordance with such rule, we have adopted proxy voting guidelines. Our policy is to vote proxy proposals, amendments, consents or resolutions in a manner that we believe serves the best interests of the Funds.

We generally vote in accordance with managements' recommendations, unless we have specific information that we determine warrants voting otherwise. Situations involving a potential conflict of interest between us and our clients will be reviewed on a case-by-case basis by the Chief Compliance Officer and resolved in a manner that is appropriate under the circumstances and within our fiduciary duty to our clients.

Investors, other than those in the managed account, generally may not direct or otherwise influence our vote with respect to any particular proxy solicitation. Investors may obtain copies of our proxy voting policy and/or how we have voted past proxies by contacting us through the contact information provided on the cover page of this brochure.

ITEM 18
FINANCIAL INFORMATION

We are not required to provide a balance sheet for WSC because (i) we do not have any financial impairment that will preclude us from meeting contractual commitments to clients; and (ii) we do not both (a) serve as custodian for client funds or securities and (b) require prepayment of fees of more than \$1,200 per client, six months or more in advance.