

**MFP Investors LLC**  
**Part 2A of Form ADV**  
**The Brochure**

**Item 1      Cover Page**

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Updated: March 29, 2019

This brochure (the “Brochure”) provides information about the qualifications and business practices of MFP Investors LLC (“MFP” or the “Investment Manager”). If you have any questions about the contents of this Brochure, please contact us at (212) 752-7280. 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 the Investment Manager is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

MFP is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

## **Item 2 Material Changes**

In connection with its annual review of its compliance program, MFP determined to update its risk disclosures to limited partners set forth in MFP's Offering Memorandum. The risk factors described in this Brochure have been updated in this March 2019 annual update to reflect the updated risk factors set forth in the revised Offering Memorandum.

Effective as of close of business on December 31, 2014, MFP terminated its relationship with the Managed Account (as defined below). MFP moved its offices in 2017. Other than an update to reflect the termination of the Managed Account, to reflect the change of primary business address, to reflect the assets under management in Item 4 below and to update the risk factors in Item 8 below, there have been no material changes to the Brochure since its adoption.

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## **Item 4 Advisory Business**

MFP is a Delaware limited liability company which was founded in 1998 and is owned by Michael F. Price and a trust formed for the benefit of certain of Mr. Price's family members. MFP registered with the SEC as an investment advisor in February 2012. MFP serves as the general partner to MFP Partners, L.P. (the "Partnership"). As of December 31, 2018 MFP managed approximately \$991.0 million on a discretionary basis on behalf of the Partnership as MFP's sole client (each of the clients of MFP, including the Partnership, a "Client" and collectively, the "Clients").

As the general partner to the Partnership, MFP is responsible for managing the Partnership's investments and administrative affairs. The Investment Manager appointed MFP Services, LLC

(“MFP Services”) to act as a consultant to its Clients for the purpose of providing investment management, financial, legal and administrative personnel to MFP, including without limitation, the services of Michael F. Price. All fees of MFP Services are paid for by the Investment Manager pursuant to a Consulting Services Agreement out of the management fees earned by MFP from the Partnership, as more fully discussed in Item 5 below. Neither MFP nor the Partnership has any employees, with all MFP personnel being provided by MFP Services pursuant to the Consulting Services Agreement. MFP Services is a Delaware limited liability company which is also owned by Michael F. Price and a trust formed for the benefit of certain of Mr. Price’s family members. Mr. Price is the Chief Executive Officer and Managing Member of the Investment Manager and MFP Services and is primarily responsible for all investment decisions made by the Investment Manager on behalf of the Partnership.

The Investment Manager will allocate investment opportunities that are appropriate for more than one Client (or accounts owned by Mr. Price and his family) in a manner determined to be fair to such entities or accounts by the Investment Manager acting in good faith in accordance with applicable fiduciary standards, which will generally be pro rata in accordance with relative assets unless special circumstances such as investment restrictions, available cash, etc., mandate a different allocation.

The Partnership’s investment objective is to seek to generate high long-term total return through opportunistic investing and the use of a disciplined value investment approach similar to that previously employed by Mr. Price at Franklin Mutual Series Fund Inc. The Partnership may also utilize various complex and speculative investment techniques including, short selling, hedging, risk arbitrage and bankruptcy investing. The Partnership may invest in a variety of securities including U.S. and non-U.S. securities; equity securities, debt securities of any credit quality or seniority including, without limitation, defaulted debt securities or junk bonds; preferred stock; securities of companies involved in mergers, consolidations or liquidations; restricted securities; other evidences of equity ownership; smaller capitalized companies; interests in limited partnerships or limited liability companies; and any securities convertible into or exercisable for any of the foregoing; options; warrants; private placements; and any other securities that the Investment Manager in its discretion selects as a portfolio investment for the Partnership. The Partnership may not invest in commodities or commodity pools, unless the Investment Manager is registered with the Commodities Futures Trading Commission (the “CFTC”) as a commodity pool operator and then only for hedging purposes. The Investment Manager is not currently registered with the CFTC as a commodity pool operator and has no current intentions to do so.

The Investment Manager has in the past and has the right to cause the Partnership or entities which the Partnership controls or invests in, to do business with other Clients (or accounts owned by Mr. Price and his family), in each case on terms which are arms-length and fair to the parties consistent with the fiduciary standards applicable to the Investment Manager. The Investment Manager has the right to cause the Partnership to execute trades in securities and other instruments with or through the Investment Manager or any of its affiliates so long as such transactions substantially comply with all applicable regulatory requirements and represent “best execution” in the good faith judgment of the Investment Manager, taking into account all factors pertinent to the transaction. Affiliates of the Investment Manager (including Mr. Price, his family and certain trusts and charitable organizations established by Mr. Price) may invest in partnerships or other collective investment vehicles which invest in similar or the same securities

recommended by the Investment Manager to its Clients, and affiliates of the managers of such partnerships or collective investment vehicles may invest in the Partnership from time to time. Clients have in the past and the Investment Manager has the right to cause the Partnership to co-invest with such partnerships or collective investment vehicles with or without a markup, management or performance fee paid by the Partnership to the managers or sponsors of such investment. The Investment Manager is not required to disclose to its Clients the activities of affiliates of the Investment Manager whether or not the Investment Manager is aware of such activities.

The Investment Manager and its affiliates may not, acting as principal, purchase from or sell to the Partnership any securities unless the Investment Manager will have disclosed to the limited partners, prior to completion of such transaction, the pertinent details thereof and its interest therein and received the consent (which need not be in writing) of limited partners who own in excess of 50% of the unaffiliated limited partnership interests. The Investment Manager and its affiliates may engage in agency cross transactions (as defined for purposes of the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”) with the Partnership if the Investment Manager and its affiliates comply with all pertinent provisions of the Advisers Act and the rules and regulations thereunder and all other pertinent laws and regulations including ERISA; provided, that the Partnership will have authority to revoke the foregoing authority by a resolution adopted by limited partners who own in excess of 50% of the unaffiliated limited partnership interests.

## **Item 5 Fees and Compensation**

The Partnership offers limited partnership interests in two classes, Class A interests and Class B interests. The interests in both classes are identical, except Class A interests are charged a higher management fee. Class B interests are available to certain current and former members and employees of the Investment Manager or MFP Services (including members of their families, charitable and estate planning or other vehicles or entities formed by them or for the benefit of their families and themselves); and other persons selected by the Investment Manager in its sole discretion. The Investment Manager receives a management fee from the Partnership (the “Management Fee”). The Class A Management Fee is payable quarterly in advance at a rate equal to 2% per annum of the net asset value of the Class A assets and the Class B Management Fee is payable quarterly in advance at a rate equal to 0.5% per annum of the net asset value of the Class B limited partners assets. In each case, the Management Fee is calculated as of the last business day of each calendar quarter and payable to the Investment Manager promptly after the beginning of the next calendar quarter, with any partial quarter pro rated based on the number of days remaining in the quarter.

In addition to the Management Fees, the Investment Manager and MFP Services are reimbursed for administrative expenses of the Partnership that it may incur on the Partnership’s behalf. Expenses that are not direct investment expenses such as legal, consulting and audit fees are paid directly by the Investment Manager on behalf of the Partnership. These expenses are then reimbursed by both Class A and Class B Limited Partners to the Investment Manager and are not paid through the Management Fee. Both classes of interests of the Partnership will bear pro rata all taxes payable by the Partnership, all investment expenses (i.e., expenses which the Investment Manager determines in its sole discretion to be directly related to the investment of the

Partnership's assets), brokerage and commission expenses, margin, premium and interest expenses, fees and disbursements of transfer agents, registrars, custodians, sub-custodians and escrow agents, costs of investment and withdrawal from any collective investment vehicle, all other investment related expenses of any type, and any extraordinary expenses (such as litigation). The Partnership has in the past and may in the future agree to pay third parties an incentive allocation, or other fee based upon the appreciation of an investment, to compensate such third party for providing the Partnership with the investment opportunity and other services in connection with such investment. Brokerage and research expenses of a Client may be paid for through the use of "soft dollars" (see the Brokerage Practices section below for more information).

The Investment Manager has in the past and may in the future receive an expense reimbursement from a company in which one of its Clients invests which is based upon the amount invested by the Client rather than the actual expenses of the Investment Manager incurred in connection with the particular investment. The Investment Manager will generally apply such expense reimbursement against investment expenses related to such investment, with any remaining amounts used to offset other investment expenses incurred by the Investment Manager and which have not been reimbursed by the Client.

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

Other than as described above in Item 5 with respect to Fees and Compensation, the Investment Manager does not charge its Clients any performance based fees or any other fee based upon the appreciation of the Client's assets.

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

As discussed in the Advisory Business section, the Investment Manager provides investment management services to the Partnership. Limited partnership interests in the Partnership are generally offered only to investors who meet the definition of "accredited investor" as the term is defined in the Securities Act of 1933, as amended (the "Securities Act"). Investors in the Partnership include some or all of the following: individuals, banks or thrift institutions, investment companies, pension and profit sharing plans, trusts, estates or charitable organizations, individual retirement accounts, private investment funds or other entities.

The minimum investment in the Partnership is \$1,000,000, subject to waiver by the Investment Manager. Additional investments may be made by limited partners at the end of each calendar quarter in amounts permitted by the Investment Manager in its sole discretion.

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

The Partnership's investment objective is to seek to generate high long-term total return through opportunistic investing and the use of a disciplined value investment approach similar to that previously employed at Franklin Mutual Series Fund Inc. by Mr. Price. In essence, the policy promotes investments in common stock, preferred stock, investment partnerships and corporate debt securities which are available at prices, in the opinion of the Investment Manager, that are less than their intrinsic value. The Investment Manager's opinions are based upon analysis and

original research which take into account, among other factors, the relationship of book value to market value of the securities, cashflow, and multiples of earnings of comparable securities and industry characteristics. These factors are not applied formulaically, as the Investment Manager examines each security separately.

The Partnership may invest in a variety of securities including U.S. and non-U.S. securities; equity securities, debt securities of any credit quality or seniority including, without limitation, defaulted debt securities or junk bonds (as defined below); preferred stock; securities of companies involved in mergers, consolidations or liquidations; restricted securities; other evidences of equity ownership; smaller capitalized companies; interests in limited partnerships or limited liability companies; and any securities convertible into or exercisable for any of the foregoing; options; warrants; private placements; and any other securities that the Investment Manager in its discretion selects as a portfolio investment for the Partnership. The Partnership may also utilize various complex and speculative investment techniques including, short selling, hedging, risk arbitrage and bankruptcy investing. However, techniques and instruments may change over time as new strategies are developed and needed or regulatory changes occur. The Partnership may not invest in commodities or commodity pools, unless the Investment Manager is registered with the CFTC as a commodity pool operator and then only for hedging purposes.

The Investment Manager has no limits as to the percentage of the Partnership's portfolio which may be invested in any one type of security, including junk bonds. The Investment Manager also has no general criteria as to asset size, earnings or industry type for purchases of securities for investment by the Partnership.

No investments will include loans to entities affiliated with the Investment Manager via direct loans, commercial paper or in any other form.

Funds not invested in portfolio securities and financial instruments, deposited as margin or paid as option premiums will be held in the form of cash, bonds (such as U.S. Treasury Bills), money market accounts, certificates of deposit or securities in the Partnership's trading or other accounts with one or more commercial banking institutions or brokerage firms. The Partnership will receive any income earned from such holdings.

Margin requirements will be met in the form of cash or in some non-cash form as permitted by applicable law, such as U.S. Treasury Bills and U.S. Treasury Bonds. The Partnership will receive any interest income therefrom.

The Partnership is a speculative investment and entails significant risks, including the risk of total loss. The Partnership may also be subject to significant volatility. No guarantee or representation is made that the Partnership will achieve its investment objective. An investment in the Partnership is speculative and involves certain considerations and risk factors which prospective investors should consider before subscribing.

## **Business Risks**

General. Markets in which the Partnership invests are subject to fluctuations and the market value of any particular investment may be subject to substantial variation. Notwithstanding the

existence of a public market for particular financial instruments, such instruments may be thinly traded or may cease to be traded after the Partnership invests in them. In addition to being illiquid, such instruments may be issued by unstable or unseasoned issuers or may be highly speculative. No assurance can be given that the Partnership's investment portfolio will appreciate in value.

Arbitrage Risks. The Partnership may engage in risk arbitrage and other arbitrage strategies. Arbitrage strategies entail various risks including the risk that external events, regulatory approvals and other factors will impact the consummation of announced corporate events and/or the prices of certain positions. In addition, hedging is an important feature of arbitrage. There is no guarantee that the Investment Manager will be able to hedge the Partnership's portfolio in the manner necessary to successfully employ the Partnership's strategy.

Foreign Investments. Investments outside the United States or denominated in non-U.S. currencies pose currency exchange risks (including blockage, devaluation and non-exchangeability) as well as a range of other potential risks which could include, depending on the country involved, expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding non-U.S. issuers and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Further, foreign securities markets may not be as liquid as U.S. markets. Transaction costs of investing outside the U.S. are generally higher than in the U.S. Higher costs may be a result of the cost of converting a foreign currency to dollars, the payment of fixed brokerage commissions on some foreign exchanges and the imposition of transfer taxes or transaction charges by foreign exchanges. There is generally less government supervision and regulation of exchanges, brokers and issuers than there is in the U.S. and there is greater difficulty in taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which 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 Partnership's performance. Finally, special situation investments are also more difficult than in the United States and have the additional risks described above. In particular, with regard to foreign fixed income securities, the Partnership may invest in debt securities of corporate and government issuers in, or who obtain substantial revenues from, various foreign countries. The debt securities in which the Partnership may invest include instruments that are considered to have predominantly speculative characteristics in relation to the ability to pay interest and repay principal. The prices of such securities may be adversely affected by interest rate changes and may be subject to the risk of market price fluctuations.

Low Credit Quality Securities; Preferred Stock; Equities. The securities in which the Partnership may invest may be determined by rating agencies to have substantial vulnerability to default in payment of interest and principal. Some securities may be in default or present elements of danger with respect to principal or interest. Other securities may have the lowest quality ratings, indicating that payments are in default, that a bankruptcy petition has been filed with respect to the issuer, or that the issuer is regarded as having extremely poor prospects for being able to meet its financial obligations.

The Partnership may invest in debt instruments issued by reorganizing or restructuring companies. Investors should recognize that these lower rated securities in which the Partnership may invest have large uncertainties or major risk exposure to adverse conditions and are considered to be predominantly speculative. Generally, such securities offer a higher return potential than higher rated securities but involve greater volatility of price and greater risk of loss of income and principal, including the possibility of default or bankruptcy of the issuers of such securities.

The Partnership may incur additional expenses to the extent that it is required to seek recovery upon a default in the payment of principal or interest on its portfolio holdings. The ability of obligors to make payments is dependent, among other things, on general macro and micro economic conditions.

In addition, the Partnership may invest, directly or indirectly through other investment vehicles, in preferred stock which may have characteristics of both debt and equity. Dividend payments to preferred stockholders may be suspended or cancelled if the issuer experiences liquidity difficulties and the principal paid for preferred stock is generally subordinate to the debt obligations of the issuer. Consequently, investments in preferred stock carry significant risk of loss of principal.

The Partnership expects to invest primarily in equities. Such investments will be subordinate to the claims of a company's creditors and preferred stockholders. Dividends customarily paid to equity holders can be suspended or cancelled at any time. For the foregoing reasons, investments in equity securities are considered speculative and carry a substantial risk of loss of principal.

Mergers; Consolidations or Liquidations. The Partnership may invest in the securities of companies involved in mergers, consolidations or liquidations. There can be no assurance that any merger, consolidation, liquidation or reorganization proposed at the time of the Partnership's investment will be consummated or will be consummated on the terms contemplated. Consequently, investments in the securities of companies contemplating such transactions may carry significant risk of loss of principal.

Illiquid Investments. The Partnership may invest in the securities of companies which are subject to legal or other restrictions on transfer or for which no liquid market exists such as private placements (measured at cost at time of purchase). The Partnership may also invest in pooled or collective investment vehicles that contain significant restrictions on the Partnership's ability to withdraw its investment, which could result in delays in a limited partner's receipt of distributions in connection with a withdrawal from the Partnership. The market prices, if any, of such investments tend to be more volatile and it may be impossible to sell such investments when desired or to realize their fair value in the event of a sale. Moreover, securities in which the Partnership may invest include those that are not listed on a stock exchange or traded in an over-the-counter market. As a result of the absence of a public trading market for these securities, they may be less liquid than publicly traded securities. There may be substantial delays in attempting to sell non-publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid. Further, companies whose securities are not publicly traded are not subject



to the disclosure and other investor protection requirements which would be applicable if their securities were publicly traded. In addition, the corporate documents of many private issuers provide further restrictions on transferability such as rights of first refusals that may make it more difficult to find third party purchasers for such interests and therefore further depress the price available to the Partnership for such securities.

Smaller Companies. The Partnership will invest in the securities of small or mid-size companies or in companies whose shares are relatively illiquid. Such companies may not be well-known to the investing public, may not have significant institutional ownership or analyst coverage and their shares may be more volatile in price. These companies often have limited product lines, management depth, financial resources and market shares. Therefore, the companies are more vulnerable to adverse business or economic developments and their shares may involve considerably more risk than shares of larger companies.

Liquidity and Valuation. The Partnership may invest in securities which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be more volatile and the Partnership may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. For example, high-yield securities markets have suffered periods of extreme illiquidity for certain types of instruments in the past. As a result, calculating the fair market value of the Partnership's holdings may be difficult. The Investment Manager may utilize the assistance of pricing services or valuation sources in calculating such fair market values when and if available and for underlying models as described above. The values initially obtained could be incorrect.

Portfolio Valuation. Because of the overall size and concentrations in particular markets and maturities of positions that may be held by the Partnership from time to time, the liquidation values of the Partnership's securities and other investments may differ significantly from the interim valuations of such investments derived from the valuation methods described herein. Such differences may be further affected by the time frame within which such liquidation occurs. Third party pricing information regarding certain of the Partnership's securities and other investments may at times be unavailable. Valuations of the Partnership's securities and other investments, which will affect the amount of the Management Fee, may involve uncertainties and subjective judgmental determinations, and if such valuations should prove to be incorrect, the net asset value of the Partnership could be adversely affected. In addition, valuations based on models will be affected by assumptions in the models and may not reflect the prices at which positions could, in fact, be covered or sold. Absent bad faith or manifest error, valuation determinations will be conclusive and binding.

Interest Rate Risks. The Partnership may have exposure to interest rate risks. To the extent prevailing interest rates change, it could negatively affect the value of the Partnership.

Systemic Risk. Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Partnership interacts on a daily basis. In the context of the market turmoil seen in recent years, systemic risk is heightened.

Market Disruption and Geopolitical Risk. Various social and political tensions have resulted in volatility in certain markets and may have long-term effects and create uncertainties in the U.S. and globally. Globally, changes in government policies, political instability, terrorist attacks, social unrest and rioting, military action, taxation and other economic or social developments in or affecting countries to which the Partnership has exposure can and may have significant bearing on the Partnership's portfolio management, liquidity of its portfolio, and the generation of returns on investment, if any. The Investment Manager does not know and cannot predict the impact of future events on the U.S. and global economies. Macroeconomic and microeconomic developments will tend to have a significant effect on the financial performance of the Partnership, and, war, terrorism, inflation, recessions, interest rates, competition, government action or inaction, developments of law and regulation and a variety of other facts and circumstances, may negatively affect the global economy and, consequently, an investment in the Partnership. Given the foregoing risks, an investment in the Interests may not be appropriate for all investors. Prospective investors should carefully consider their abilities to assume these risks before making an investment in the Partnership.

Imposition of Tariffs. In March 2018, President Trump's administration announced the imposition of certain tariffs on steel imports and aluminum imports into the United States pursuant to authority granted under Section 232 of the Trade Expansion Act of 1962, which was followed by an announcement of additional tariffs on certain Chinese imports in June 2018 and an intention to level further tariffs on certain Chinese imports while imposing certain investment restrictions against China. China has retaliated by announcing matching tariffs on U.S. imports and withdrawal from all other trade terms negotiated by U.S. and China in the past. It is currently unknown the full extent of any such protectionist measures, including the complete list of nations that may be exempt (and to what extent) from those already imposed, and retaliation or retaliatory threats, including ones already made by China and India with respect to imposing tariffs on a large number of U.S. imports, by foreign nations not exempted from such measures may limit international trade and adversely impact global economic conditions. Such actions or events could have a significant adverse effect on the Partnership's business, investments and operations.

Potential Impact of Brexit. The decision made in the British referendum of June 23, 2016 to leave the European Union has led to volatility in the financial markets of the United Kingdom and more broadly across Europe and may also lead to weakening in consumer, corporate and financial confidence in such markets. The formal notification to the European Council required under Article 50 of the Treaty on European Union was made on March 29, 2017, triggering a two year period during which the terms of exit are to be negotiated. The longer term economic, legal, political and social framework to be put in place between the United Kingdom and the European Union are unclear at this stage and are likely to lead to ongoing political and economic uncertainty, increased burdens and restrictions on underlying borrowers (including related to travel, citizenship, location of assets and imposition of taxes), and periods of exacerbated volatility in both the United Kingdom and in wider European markets for some time. In particular, the decision made in the British referendum may lead to a call for similar referendums in other European jurisdictions which may cause increased economic volatility in the European and global markets. This mid- to long-term uncertainty may have an adverse effect on the economy generally and on the ability of the Partnership and its investments to execute its

strategies and to receive attractive returns. In particular, currency volatility may mean that the returns of the Partnership and its investments are adversely affected by market movements and may make it more difficult, or more expensive, for the Partnership to execute prudent currency hedging policies. Potential decline in the value of the British Pound and/or the Euro against other currencies, along with the potential downgrading of the UK's sovereign credit rating, may also have an impact on the performance of investments located in the United Kingdom or Europe. In light of the above, no definitive assessment can currently be made regarding the impact that Brexit will have on the Partnership or its investments.

## **Investment Techniques**

Concentration. Although the Partnership generally does not expect to invest more than 10% of its capital in one issuer (measured at cost at time of purchase) or more than 25% of its capital in a single industry (measured at cost at time of purchase), the Partnership does have the ability to concentrate a substantial amount of its assets in a single issuer, geographic area or industry, and the overall adverse impact on the Partnership of adverse movements in the value of the securities of a single issuer, area or industry will be greater than if the Partnership were not permitted to concentrate its investments to such an extent.

Hedging. The Partnership may attempt to manage its exposure to the possibility that the prices on its portfolio securities may decline, or to establish a position as a substitute for purchasing individual securities. There are numerous strategies and instruments used in hedging. The use of hedging instruments requires special skills and knowledge of investment techniques that are different from what is required for normal portfolio management. If the Investment Manager uses a hedging instrument at the wrong time or judges market conditions incorrectly, hedging strategies may reduce the Partnership's return.

Short Selling. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the Partnership to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that the Partnership may be required to pay with respect to borrowed securities, offset (wholly or partly) by short interest credits. In a generally rising market, the Partnership's short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss. If the prices of securities sold short increase, the Partnership may be required to provide additional funds or collateral to maintain short positions. This could require the Partnership to liquidate other investments to provide additional margin, and such liquidations might not be at favorable prices. Legislation may be enacted that could make it more difficult for the Partnership to make or maintain short sales, which could affect the Partnership's ability to implement its investment strategy.

Foreign Currency Transactions. The Partnership will generally deal in forward foreign exchange between currencies of different countries and multinational currency units as a hedge against possible variations in the foreign exchange rate between the currencies and the U.S. dollar with respect to a non-dollar denominated security it owns so that it can reduce its exposure to any currency fluctuations. The Partnership will not engage in these transactions for speculative purposes. This is accomplished through contractual agreements to purchase or sell one specified currency for another currency at a specified future date (up to one year) and price determined at the inception of the contract. Dealings in forward foreign exchange will be limited to hedging. Transaction hedging is the purchase or sale of one forward foreign currency for another currency with respect to specific receivables or payables accruing in connection with the purchase and sale of its portfolio securities. Position hedging is the purchase or sale of one forward foreign currency for another currency with respect to portfolio security positions denominated or quoted in such foreign currency to offset the effect of any anticipated appreciation or depreciation, respectively, in the value of such currency relative to the U.S. dollar value of another currency. In such a situation, the Partnership also may, for example, enter into a forward contract to sell or purchase a different foreign currency for a fixed dollar amount where it is believed that the U.S. dollar value of the currency to be sold or bought pursuant to the forward contract will fall or rise, as the case may be, whenever there is a decline or increase, respectively, in the dollar value of the currency in which portfolio securities of the Partnership are denominated (this practice is called a “cross-hedge”). Due to fluctuations in market value of portfolio security positions, the Partnership may be under or over-hedged against such currency variations at any given time, which may reduce the Partnership’s return.

Securities Lending. The Partnership may lend its portfolio securities to banks or dealers. Securities lending is subject to the risk that loaned securities may not be available to the Partnership on a timely basis and the Partnership may, therefore, lose the opportunity to sell the securities at a desirable price. Any loss in the market price of securities loaned by the Partnership that occurs during the term of the loan would be borne by the Partnership and would adversely affect the Partnership’s performance. Also, there may be delays in recovery, or no recovery, of securities loaned or even a loss of rights in the collateral should the borrower of the securities fail financially while the loan is outstanding. During the period the securities are on loan, the Partnership forgoes the right to vote proxies and is entitled to receive from the Prime Broker manufactured payments in lieu of receiving distributions (e.g. dividends, coupon payments, etc.) on such securities directly from the issuer. These manufactured payments may result in less favorable tax treatment than would have been the case if the Partnership received distributions directly from the issuer.

## **Management Risks**

Conflicts of Interest. The Investment Manager will allocate investment opportunities that are appropriate for more than one entity or account sponsored or managed by the Investment Manager or its affiliates (including accounts owned by the Managing Member and his family) in a manner determined to be fair to such entities or accounts by the Investment Manager acting in good faith in accordance with applicable fiduciary standards, which will generally be pro rata in accordance with relative assets unless special circumstances such as investment restrictions, available cash, etc., mandate a different allocation. The Investment Manager will have the right to cause the Partnership or entities which the Partnership controls or invests in, or other accounts

managed by the Investment Manager or its affiliates, to do business with any other investment entity of which the Investment Manager is the general partner or entities which such other partnership controls or invests in, in each case on terms which are arms-length and fair to the parties consistent with the fiduciary standards applicable to the Investment Manager. The Investment Manager will have the right to cause the Partnership to execute trades in securities and other instruments with or through the Investment Manager or any of its affiliates so long as such transactions substantially comply with all applicable regulatory requirements and represent “best execution” in the good faith judgment of the Investment Manager, taking into account all factors pertinent to the transaction. The Investment Manager is not required to disclose to its Clients the activities of affiliates of the Investment Manager whether or not the Investment Manager is aware of such activities.

The Investment Manager and its affiliates may not, acting as principal, purchase from or sell to the Partnership any securities unless the Investment Manager will have disclosed to the limited partners, prior to completion of such transaction, the pertinent details thereof and its interest therein and received the consent (which need not be in writing) of limited partners who own in excess of 50% of the unaffiliated limited partnership interests. The Investment Manager and its affiliates may engage in agency cross transactions (as defined for purposes of the Advisers Act) with the Partnership if the Investment Manager and its affiliates comply with all pertinent provisions of the Advisers Act and the rules and regulations thereunder and all other pertinent laws and regulations including ERISA; provided, that the Partnership will have authority to revoke the foregoing authority by a resolution adopted by limited partners who own in excess of 50% of the unaffiliated limited partnership interests.

The Investment Manager, its principals and its affiliates may trade in securities and other instruments suitable for the Partnership only if the Investment Manager determines in good faith that the proposed trading will not interfere with the Partnership’s ability to buy or sell such securities or other instruments in sufficient quantity at advantageous prices or the Partnership has completed its trading therein for the foreseeable future. If the Partnership and the Investment Manager, its principals or its affiliates do trade in the same securities on the same day, the Investment Manager and its affiliates generally will not receive a better price than the Partnership. The records of such trading are reviewed regularly by the Investment Manager to confirm compliance with the legal and regulatory obligations applicable to the Investment Manager and Partnership.

The Investment Manager will seek to disclose to the Partners of the Partnership any specific conflicts of interest that arise and which are considered by the Investment Manager to be material to investors in the Partnership.

No funds, securities or property of the Partnership will be commingled by the Investment Manager with the property of any other Client, fund or person, except to the extent such funds are commingled in a partnership or other collective investment vehicle.

Soft Dollars. The Investment Manager may be offered nonmonetary benefits or “soft dollars” by brokers that it may engage to execute transactions in securities on behalf of its Clients. These soft dollars may take the form of research and other services regarding securities investments and may be available for use by the Investment Manager or its affiliates in connection with

transactions in which the Partnership does not participate. The availability of the benefits may influence the Investment Manager to select one broker rather than another to perform services for its Clients. Nevertheless, the Investment Manager intends to use its best efforts to assure that the fees and costs for the services provided to the Partnership by such brokers are not greater than they would be if the services were performed by equally capable brokers not offering such services or that the Partnership will also benefit from the services.

Key Person. Michael F. Price is primarily responsible for all investment decisions made by the Investment Manager on behalf of the Partnership. If Mr. Price were to become unavailable, it would be difficult for MFP to replace his wisdom and experience.

Officers of the Investment Manager Not Full Time. The officers of the Investment Manager will devote as much time to the Partnership as they believe is necessary to assist the Partnership in achieving its investment objective and to administer the Partnership's operations. The personnel of the Investment Manager will not have employment agreements and the loss of the services of one or more of them could have a material adverse effect on the Partnership.

Lack of Management Control by Limited Partners. Limited partners of the Partnership do not have the right to participate in the management, control or operation of the Partnership or to remove the Investment Manager. The Investment Manager, on the other hand, may dissolve the Partnership upon 120 days notice of dissolution to the limited partners at any time or by its withdrawal as general partner of the Partnership.

Material, Non-Public Information. The Investment Manager, its affiliates, officers, directors and employees may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities or other assets. Any of the foregoing persons or entities will not be free to act upon any such information. Due to these restrictions, the Partnership (whether or not in actual possession of material, non-public information) may not be able to initiate a transaction that it might otherwise have initiated and may not be able to sell an investment that it otherwise might have sold.

Valuation of Assets. The Investment Manager has a certain amount of discretion in valuing certain of the Partnership's assets. The Investment Manager may have a conflict of interest in making such valuations, as higher valuations will tend to raise the amount of the Management Fee, and lower valuations could reduce the amounts received by a limited partner who redeems all or part of its Partnership interests.

## **Partnership Risks**

Lack of Transferability of Partnership Interests. The limited partnership interests offered have not been registered under federal or state securities laws and are subject to restrictions on transfer contained in such laws and the Partnership Agreement. The interests are not transferable except with the written consent of the Investment Manager, which consent may be withheld in the sole discretion of the Investment Manager and will be withheld if immediately following such transfer, the assets of the Partnership would be deemed to constitute "plan assets" under ERISA. There is not and will not be any market for the limited partnership interests.

Limited Right of Withdrawal. A limited partner is restricted in its right to make full or partial withdrawals from the Partnership pursuant to the terms of the Partnership Agreement.

Involuntary Liquidation of a Limited Partner's Interest. Subject to the terms of the Partnership Agreement, the Investment Manager may terminate the interest of any limited partner in the Partnership upon at least five days' prior written notice to any limited partner. If the Partnership is continued after such withdrawal, the Investment Manager may withhold from the amount to be paid to such Withdrawing Partner an amount equal to the reasonable legal, accounting and administrative costs associated with the limited partner's withdrawal, if the Investment Manager reasonably determines that such costs should not be borne by the Partnership.

Partnership Not Registered. The Partnership is not registered under the 1940 Act. The 1940 Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to the Partnership.

Control Position. The Partnership may obtain a control position or other substantial position in any public or private company. Should the Partnership obtain such a position in a public company, it may be required to make filings concerning its holdings with the SEC and it may become subject to other regulatory restrictions that could limit the ability of the Partnership to dispose of its holdings or increase its position at the times and in the manner the Partnership would prefer. Violations of these regulatory requirements could subject the Partnership to significant liabilities.

Side Letters and Other Agreements with Clients. The Partnership has and may again in the future enter into separate agreements with certain investors, such as those affiliated with the Investment Manager or those deemed to involve a significant or strategic relationship, to waive certain terms, or, with or without a side letter, allow such investors to invest on different terms than those specifically described in this Brochure, including, without limitation, with respect to fees, liquidity, advance notices for withdrawals or depth of information provided to such investors concerning the Partnership and its investments. The Investment Manager has and may in the future offer certain limited partners additional or different information and reporting than that generally offered to other limited partners of the Partnership. Such information may provide the recipient greater insights into the Partnership's activities than is included in standard reports to other limited partners, thereby enhancing the recipient's ability to make investment decisions with respect to the Partnership. Under certain circumstances, these agreements could create preferences or priorities for such limited partners with respect to other limited partners of the Partnership.

Custodial Risk. Certain securities firms can and may act as prime brokers for the Partnership (together, the "Prime Brokers"). In connection therewith, the Prime Brokers provide certain clearing (including prime brokerage) services to the Partnership and may also provide margin financing and other financing facilities. Such services and facilities are provided pursuant to a series of mutually acceptable agreements (the "Customer Documents"), and may include Institutional Account Agreements and Custodian Agreements. The Prime Brokers also provide, and other selected brokers may also provide, custody services for the Partnership's assets carried on the books of the Prime Brokers or such other brokers as part of their brokerage and/or custodial functions in accordance with the terms of the Customer Documents or such other

applicable documents. The Prime Brokers and such other selected brokers may appoint sub-custodians, including affiliates of the respective Prime Brokers, of the Partnership's assets.

If any of the Prime Brokers becomes insolvent, the Partnership will, in respect of financial assets credited to securities accounts and held in street name, have only rights in common with other customers of the Prime Broker and will not have ownership of, or rights with respect to, any specific financial assets maintained by any Prime Broker. Substantially all of the financial assets of the Partnership maintained with any of the Prime Brokers are expected to be credited to securities accounts and held in street name by the Prime Brokers. In the event that any Prime Broker has insufficient financial assets to satisfy all of its customers and certain of its secured creditors, the Partnership may suffer losses. The Securities Investor Protection Act provides limited protections for assets of customers like the Partnership which are credited to securities accounts, but such protection should not be expected to cover the full value of the Partnership's assets. There may be a substantial delay in proceedings against a Prime Broker and the Partnership's assets may become substantially impaired during such proceedings.

Because the Partnership is not registered as an investment company, such custodial arrangements are not subject to the regulations of the SEC governing registered investment companies. The Prime Brokers and other custodians are not required to comply with certain of the SEC regulations applicable to custodians of the securities and other assets of registered investment companies. Under the provisions of the Securities Investor Protection Act, the bankruptcy of a Prime Broker might have a greater adverse effect on the Partnership than would be the case if such Prime Broker were required to comply with SEC regulations governing the custody of the securities of registered investment companies.

Trade Errors. On occasion, errors may occur with respect to trades executed on behalf of the Partnership. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, or when the wrong quantity is purchased or sold (e.g., 1,000 shares instead of 10,000 shares are traded). Trade errors frequently result in losses but may, occasionally, result in gains. The Investment Manager will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a third party, such as a broker, the Investment Manager will strive to recover any losses associated with such error from such third party, however, the Customer Documents may limit or precluded such recovery. The Investment Manager will determine whether any trade error has resulted from gross negligence on its part, and, unless it finds that to be the case, any losses will be borne by (and any gains will benefit) the Partnership. The Investment Manager has established internal policies regarding the manner in which such determinations are to be made, but limited partners should be aware that, in making such determinations, the Investment Manager will have a conflict of interest. Generally, the Investment Manager will not be held accountable for trade errors that do not breach the standard of care set forth above.

Cyber Security. With the increased use of technologies such as the Internet to conduct business, the Partnership and the Investment Manager are each susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational



disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the Investment Manager and other service providers to the Partnership (including, but not limited to, Partnership accountants, custodians, transfer agents and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the Partnership's ability to value its securities or other investments, impediments to trading, the inability of limited partners to withdraw funds from the Partnership, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which the Partnership invests, counterparties with which the Partnership engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for limited partners) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While the Partnership's service providers (including the Investment Manager) have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Partnership cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect the Partnership or its limited partners. The Partnership and its limited partners could be negatively impacted as a result.

Business and Regulatory Risks of Private Investment Partnerships. Legal, tax and regulatory changes could occur during the term of the Partnership that may adversely affect the Partnership. The regulatory environment for private investment funds is evolving, and changes in the regulation of private investment funds may adversely affect the value of investments held by the Partnership and the ability of the Partnership to obtain the leverage it might otherwise obtain or to pursue its trading strategies. There is a possibility that, during the life of the Investment Manager, the Partnership and the securities and other markets it trades in, may be subject to new or revised legislation or regulations, which may be enforced by entirely new governmental agencies. Further, the changing regulatory environment may lead to additional compliance and/or regulatory costs with respect to the Partnership and the Investment Manager. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. Alternatively, consistent with sentiment expressed by the current U.S. Administration legislation may be adopted that could significantly affect the regulation of United States financial markets. Areas subject to potential change, amendment or repeal include the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), including the Volcker Rule and various swaps and derivatives regulations, the authority of the Federal Reserve and the Financial Stability Oversight Council. Renewed debate over the separation of banks' commercial and investment banking activities also lends to uncertainty in the direction of future legislation that may impact U.S. financial markets. It is impossible to predict what, if any, changes in the regulations (and/or their

enforcement) applicable to the Partnership and the Investment Manager, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Any such change could have a material adverse impact on the value of the Partnership.

In addition, new laws and regulations resulting from the Dodd-Frank Act may directly impact the Partnership's use of derivatives. Specifically, the Dodd-Frank Act requires that certain types of swaps and security-based swaps be cleared by central clearinghouses and traded on an exchange, and over-the-counter swaps and security-based swaps be subject to initial and variation margin requirements. In addition, the Partnership's potential counterparties for swaps and security-based swaps have been required, or will soon be required, to register with the CFTC and the SEC as "swap dealers" or "security-based swap dealers," respectively, and such registered entities are expected to become subject to minimum capital requirements. Collectively, these requirements may have the effect of limiting the Partnership's ability to hedge certain risks to its portfolio.

While many of the Dodd-Frank Act reforms have already been implemented, certain reforms are still pending and there is uncertainty as to whether and how such legislation and reforms will be implemented and applied in the future. In that regard, President Trump has expressed a desire to repeal the Dodd-Frank Act. If the restrictions under the Dodd-Frank Act are curtailed or repealed, banks may be subject to fewer restrictions on their investment activities, which may allow them to compete more actively with the Partnership for investment opportunities. As it is unclear whether, to what extent and how the Trump administration and the U.S. Congress will ultimately amend or repeal the Dodd-Frank Act and what other legislative and executive actions may be taken, it is difficult to predict how the Partnership will be affected by any such legislative or executive actions. Depending on the nature of any changes to the Dodd-Frank Act, such changes may prove detrimental to the Partnership. As a result (and because many of the already implemented reforms are relatively new), it will likely still be some time until the direct and indirect impact of the Dodd-Frank Act is fully understood.

Increased Regulatory Oversight. The financial services industry generally, and the activities of alternative investment funds and their managers in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Partnership's and/or the Investment Manager's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight can also impose administrative burdens on the Investment Manager including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert the Investment Manager's time, attention and resources from portfolio management activities.

In addition, it is anticipated that, in the normal course of business, the Investment Manager's officers will have contact with governmental authorities, and/or be subjected to responding to questionnaires or examinations. In the event that the Partnership is subject to such questionnaires or examinations, investors should be aware that the Partnership may be required to disclose information about its limited partners including limited partners' names to such governmental authorities and such disclosure may be done without notice to, or consent of, the limited partners.

Diverse Investor Base. The limited partners may include U.S. tax-exempt entities and persons or entities organized in various non-U.S. jurisdictions. The various types of limited partners,

including affiliates of the Investment Manager, may have conflicting investment, tax and other interests with respect to their investment in the Partnership. When considering a potential investment, the Investment Manager will generally consider the investment objective of the Partnership, as a whole, not the investment objectives of any limited partner individually. Consequently, the Investment Manager may make decisions from time to time that may be more beneficial to one type of limited partner than another.

Disclosure of Limited Partner Information. In order to have access to investments in certain jurisdictions, or in connection with certain litigation or other Partnership matters, the Partnership may be required to disclose certain information in relation to limited partners to regulatory, governmental or other authorities. The Partnership and its delegates will endeavor to keep information in relation to the limited partners confidential unless the Investment Manager determines that such disclosure is required by law or regulation and/or determines that it is in the best interests of the Partnership or the limited partners to disclose such information.

Data Protection and Privacy. Through their participation in the Partnership, limited partners may provide to the Investment Manager or other service providers, “personal data” as such term is defined in Regulation 2016/679/EU on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the “GDPR”) as well as other non-public personal data about limited partners which may be subject to data protection laws of jurisdictions in which the GDPR does not apply. Further, California became the first U.S. state to pass a privacy law, the California Consumer Privacy Act (“CCPA”), which is set to go into effect in 2020. The CCPA and GDPR have many similarities, but are also different and may require different or conflicting obligations on the Partnership, the failure to properly manage could have negative consequences to the Partnership. The Investment Manager and its affiliates are subject to the Investment Manager’s Privacy Policy pursuant to which the Investment Manager and its affiliates handle, safeguard and protect such personal data. Limited partners should review and be cognizant of the contents of the Investment Manager’s Privacy Policy. In particular, limited partners should be aware that personal data may be transferred to entities located in jurisdictions in which the protections afforded by the GDPR, CCPA or other applicable data protection laws do not apply.

Legal Representation. Skadden, Arps, Slate, Meagher & Flom LLP, and other counsel (each, “Counsel”) represent the Investment Manager and its affiliates from time-to-time in a variety of matters. Counsel does not represent any or all of the limited partners in connection with the Partnership, except to the extent that any such limited partner engages directly with such Counsel. Counsel represents the Investment Manager and its affiliates on a regular and ongoing basis, including with respect to the Investment Manager’s role in relation to the Partnership. Furthermore, in the event a conflict of interest or dispute arises between the Investment Manager and/or its personnel and the Partnership or any limited partner, it will be accepted that Counsel is counsel to the Investment Manager and not counsel to the Partnership or any limited partner, notwithstanding the fact that, in certain cases, Counsel’s fees are paid through or by the Partnership (and therefore in effect by the limited partners).

## **Item 9      Disciplinary Information**

The Investment Manager is required to disclose all material facts regarding any legal or disciplinary events in the past 10 years that would be material to an investor's evaluation of the Investment Manager or the integrity of its personnel. The Investment Manager does not have any disclosure applicable to this Item.

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

The Investment Manager and its personnel do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

The Investment Manager recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its clients and investors; (ii) its long-term business interests are best served by adherence to the principle that the interests of clients and investors come first; and (iii) it has a fiduciary duty to its Clients to act for their benefit. All Investment Manager personnel must put the interests of the Clients and Partnership investors before their own personal interests and must act honestly and fairly in all respects in dealings with clients and investors. All Investment Manager personnel must also comply with all state and federal securities laws.

The Investment Manager has adopted a Code of Ethics and a Statement of Policy and Procedures to Detect and Prevent Insider Trading, governing personal trading by its personnel. Among other requirements, all Investment Manager personnel must seek pre-approval from the Chief Compliance Officer for certain personal trades and must report their personal securities transactions and holdings. The policies additionally require the Investment Manager to regularly review all personal trading documents and to address any issues noted during the review, including the appropriateness of imposing a penalty for violations of the policies. Clients and limited partners of the Partnership may obtain a copy of the Code of Ethics and insider trading policies by contacting Timothy E. Ladin (the Investment Manager's Chief Compliance Officer) via phone at (212) 752-7280.

Certain Investment Manager personnel (and their affiliates and/or family members) hold Class B interests in the Partnership. Additionally, it is possible that the Investment Manager's personnel may personally invest in some of the same investments that are held by the Clients, or that they may own investments that are subsequently purchased for Clients, although the Investment Manager attempts to mitigate the potential for any conflict of interest through the application of its Code of Ethics. As discussed above, the pre-approval and reporting provisions of the Code of Ethics are designed to enable the Investment Manager to evaluate any issues resulting from the personnel's trading or proposed ownership.

## **Item 12 Brokerage Practices**

### **Soft Dollar Benefits**

The Investment Manager may be offered nonmonetary benefits or “soft dollars” by brokers that it may engage to execute transactions in securities on behalf of its Clients. MFP intends that the use of commissions or “soft dollars” to pay for “research” or “brokerage” products or services will come within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended. These soft dollars may take the form of research and other services regarding securities investments and may be available for use by the Investment Manager in connection with transactions in which such Client does not participate. The Investment Manager does not seek to allocate soft dollar benefits to a Client in proportion to the soft dollar credits such Client generates. Where a product or service obtained with soft dollars provides research and non-research assistance to the Investment Manager (i.e., a “mixed use” item), the Investment Manager will make a reasonable allocation of the cost which may be paid for with soft dollars. When the Investment Manager uses Client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Investment Manager receives a benefit because it does not have to produce or pay for such products or services. The Investment Manager may consider its receipt of such research or other products or services, as well as other factors, in determining what broker-dealer to select or recommend. Nevertheless, the Investment Manager regularly reviews its broker relationships to assure that the fees and costs for the services provided to its Clients by such brokers are not greater than they would be if the services were performed by equally capable brokers not offering such services or that such Client will also benefit from the services.

In selecting and approving brokers to effect portfolio transactions for its Clients, the factors the Investment Manager considers include, but are not limited to: quality of execution, reputation, financial strength, stability, block trading and block positioning capabilities, willingness to execute difficult transactions, access to underwritten offerings and secondary markets, ongoing reliability and financial responsibility, overall costs of a trade, nature of the security and the available market makers, desired timing of the transaction and size of the trade, confidentiality of trading activity, market intelligence regarding trading activity, idea generation, conferences, the receipt of brokerage or research services, and the brokers’ facilities. The Investment Manager need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

At least annually, the Investment Manager considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Clients on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because transactions are allocated on the basis of all of the considerations described above. In no case will the Investment Manager make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met; provided that nothing herein will prohibit the Partnership, or the Investment Manager on behalf of a Client, from paying cash to its

Prime Brokers to compensate such Prime Broker for services provided to such Client. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services. All proposed soft dollar agreements must be approved by the Chief Compliance Officer.

In the past year, eligible research and brokerage products and services provided by broker-dealers have included research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities and other products and services providing lawful and appropriate assistance to the Investment Manager in the performance of its investment decision-making responsibilities. MFP has been provided a fixed schedule of brokerage commissions from the broker-dealers it does business with and has agreements with certain brokers to pool credits and pay for eligible research products selected by MFP, such as Bloomberg terminals used by personnel of the Investment Manager.

### **Additional Brokerage Considerations**

The Partnership may accept subscriptions from investors who also provide services to the Partnership, including brokers and their affiliates. Relationships such as these could be viewed as creating a conflict of interest that potentially could affect the Investment Manager's ability to seek best execution. While our relationship with brokers may influence the Investment Manager in deciding whether to use such broker in connection with brokerage, financing and other activities of the Partnership, the Investment Manager will not commit to allocate a particular amount of brokerage to a broker in any such situation. Furthermore, the Investment Manager conducts periodic best execution reviews in an effort to identify and mitigate compliance risks associated with brokerage relationships, and to determine that the Investment Manager is obtaining best execution for clients' accounts.

### **Trade Allocation and Aggregation Policies and Procedures**

The Investment Manager will generally execute transactions for Clients the firm manages on an aggregated basis when the Investment Manager believes that to do so will allow it to obtain best execution and to negotiate more favorable commission rates or other transaction costs that might have otherwise been paid had such orders been placed independently. When aggregating orders, all Clients will be treated in a fair and equitable manner. The Investment Manager will not aggregate orders unless aggregation is consistent with its duty to obtain best execution. Each Client that participates in an aggregated order will participate equitably, with transaction costs shared *pro rata* based on each Client's participation in the transaction. It is the policy of the Investment Manager to allocate investment opportunities for its Clients fairly and equitably, to the extent possible, over a period of time. The Investment Manager, however, will have no obligation to purchase, sell or exchange any security or financial instrument for one Client which the Investment Manager may purchase, sell or exchange for another Client if the Investment Manager believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for a particular Client. Participation in specific investment opportunities may be appropriate for one or more Clients.

Participation in such opportunities will be allocated on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments, (investor)

eligibility, and the investment programs and portfolio positions of the Clients for which participation is appropriate. Orders may be combined for all such Clients, and if any order is not filled at the same price, they may be allocated on an average price basis. Similarly, if an order on behalf of more than one Client cannot be fully executed under prevailing market conditions (e.g., partial fills), the order may be allocated among the different Clients on a basis which the Investment Manager considers equitable. Although the Clients may pursue investment objectives that are similar, the portfolios of the Clients may differ as a result of purchases and withdrawals being made at different times and in different amounts, as well as because of different tax and regulatory considerations. The Investment Manager may give advice and recommend to certain Clients to purchase or sell securities which may differ from advice given to, or securities recommended or bought or sold for, other Clients.

### **Trade Errors**

Pursuant to the exculpation and indemnification provisions in the Limited Partnership Agreement of the Partnership, the Investment Manager or their respective affiliates or personnel will generally not be liable to the Partnership for any error of judgment or for any action or inaction, absent willful misconduct, gross negligence or bad faith, and the Partnership will generally be required to indemnify such persons against any losses they may incur by reason of any error of judgment, or any act or omission related to such Client, absent willful misconduct, gross negligence or bad faith. As a result of these provisions, the Partnership (and not the Investment Manager or their respective affiliates or personnel) will be responsible for any losses resulting from trading errors and similar human errors, absent gross negligence, willful misconduct or bad faith. Trading errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements. The Partnership will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of the Investment Manager's personnel. Gains caused by trade errors (or similar errors) will be credited to the affected Client.

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

Michael F. Price is primarily responsible for all investment decisions made by the Investment Manager on behalf of the Partnership. Mr. Price is primarily responsible for ensuring that the securities or other financial instruments held by each Client are consistent with, as pertinent, the Partnership's disclosures set forth in its offering documents. Mr. Price and the Investment Manager's analysts review the Clients' portfolio holdings on an ongoing basis to determine that the securities and other financial instruments held by each Client remain consistent with the pertinent offering documents or investment advisory agreement and will generally review each Client's performance.

Partnership investors will receive audited annual financial statements and necessary U.S. federal tax information. Partnership investors will also receive periodic unaudited performance information no less frequently than quarterly. In addition to the foregoing reports and statements, and upon the request of certain Partnership investors or third parties representing Partnership investors, the Investment Manager may provide such Client with more frequent disclosure or additional information not contained in the above mentioned reports and statements

regarding the investment portfolio. Such information will be maintained by the Investment Manager and will be available to all Partnership investors, if requested. As a condition to receipt of certain information, the Investment Manager may require such investors (or their third party representatives) to execute a confidentiality agreement prior to providing such information.

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

Please refer to the Brokerage Practices section for a discussion of potential benefits received by Investment Manager from certain trading counterparties. The Investment Manager is not currently party to any arrangements whereby it compensates a third-party for client referrals and does not directly or indirectly compensate unaffiliated third parties for soliciting new investors to the Partnership or new Clients. No commission or sales charge will be payable to the Partnership, the Investment Manager, MFP Services, their employees or other agents of the Partnership or the Investment Manager by an investor to join the Partnership or redeem from the Partnership. The Investment Manager will not pay any commissions to an investor's sales source.

#### **Item 15 Custody**

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

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

As noted previously, the Investment Manager has full discretionary authority to manage the Partnership, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. MFP's authority is limited by its own internal policies and procedures and the Partnership's offering documents and limited partnership agreement.

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

The Investment Manager may have opportunities to vote the proxies of companies on behalf of its Clients. In voting proxies, the Investment Manager is guided by general fiduciary principles. The Investment Manager's goal is to act prudently, solely in the best interests of its Clients (including the Partnership investors) and consistent with efforts to achieve a Client's stated objectives, including maximizing portfolio value. The Investment Manager will vote proxies on a case-by-case basis, but will generally vote for any proposals that the Investment Manager



believes will offer fair value to its Clients. Clients do not have the authority to direct Investment Manager to vote a proxy in a particular manner.

The Investment Manager follows procedures that are designed to identify conflicts or potential conflicts that could arise between its own interests and those of its Clients. If it is determined that any such conflict or potential conflict is not material, the Investment Manager may vote proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, appropriate personnel of the Investment Manager will work to agree upon a method to resolve such conflict before voting proxies affected by the conflict.

Clients and investors in the Partnership may request a copy of Investment Manager's Proxy Voting Policies and Procedures, as well as applicable proxy voting records, by contacting the Investment Manager at the address or telephone number listed on the first page of this document.

From time to time, the Investment Manager may receive notices or initiate claims regarding class action lawsuits involving securities that are or were held by the Partnership. The Investment Manager reserves the right to serve as the lead plaintiff in class action matters, although it presently has no intention to do so. Investment Manager may refrain from submitting proofs of claim where it believes that either the recovery amounts are likely to be negligible or it cannot be assured of confidential treatment of the data submitted in connection with the proof of claim.

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

The Investment Manager has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage Client accounts.