

SPRUCE HOUSE INVESTMENT MANAGEMENT LLC

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**Part 2A of Form ADV
(The “Brochure”)**

March 29, 2019

This Brochure provides information about the qualifications and business practices of Spruce House Investment Management LLC (the “Adviser”). Registration with the United States Securities and Exchange Commission (the “SEC”) does not imply a specific level of skill or training. If you have any questions about the contents of this Brochure, please contact Thomas Walker at 646-442-6727. This information has not been approved or verified by the SEC or by any state securities authority.

Additional information about the Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

The Adviser does not consider any of the information contained in this version of the Brochure to represent a material change from the information contained in its most recent previous version dated May 25, 2018. The Adviser's current and potential investors are encouraged to read this Brochure, as well as all of the governing documents applicable to their current or prospective investment, in their entirety.

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Item 4. Advisory Business

The Adviser is an investment advisory firm with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser in September of 2006. Zachary Sternberg and Benjamin Stein are the managing members (the “Managing Members”) and co-owners of the Adviser.

The Adviser provides discretionary investment advisory services to its clients, which are private pooled investment vehicles, including SHP Ltd and The Spruce House Partnership LP, intended for accredited, institutional and other sophisticated investors. SHP Ltd invests all of its assets in and is a limited partner of The Spruce House Partnership LP (the “Partnership”). Unless otherwise indicated, references in this Brochure to the Partnership include SHP Ltd. The Adviser generally has broad and flexible investment authority with respect to the Partnership’s investment portfolio. It provides investment advisory services to the Partnership based on the Partnership’s specific investment objective and strategy. The Adviser does not tailor its advisory services to the individual needs of investors in the Partnership.

As of December 31, 2018, the Adviser had approximately \$2,458,690,494 in client regulatory assets under management, all of which were managed on a discretionary basis.

Item 5. Fees and Compensation

The Adviser charges the Partnership an asset-based investment management fee (the “Management Fee”) based on the value of the Partnership’s net assets under management. The general partner of the Partnership (the “General Partner”) is also eligible to receive from the Partnership an incentive allocation (the “Incentive Allocation”), which is compensation based on a share of realized and unrealized appreciation of the Partnership’s assets. Partnership investors are subject to the Management Fee and Incentive Allocation indirectly through their investment in the Partnership.

The Management Fee is generally payable quarterly in arrears and is at an annual rate of 1.0 % of the value of each investor’s account as of the first day of the applicable quarter. The Management Fee will be prorated for any period that is less than a full fiscal quarter, and will be adjusted for subscriptions and withdrawals. The Adviser instructs the Partnership’s custodian to deduct the Management Fee from the Partnership’s account.

The Incentive Allocation charged to the Partnership is generally 20% of the Partnership’s net profits (including any realized and unrealized gains and losses) and is subject to a loss carry-forward provision. The Incentive Allocation, if any, will be reallocated to the General Partner of the Partnership at the end of each fiscal year, or at the time of full or partial withdrawal from the Partnership, if other than year end.

The Adviser and its affiliates also receive “Ancillary Fees” in connection with services provided to certain entities, which include portfolio companies of the Partnership. Such services include serving as board members and may include other services, such as advice, consultation or other similar ongoing services. Ancillary Fees may be paid in cash, in securities of the portfolio companies or investment vehicles (or rights thereto) or otherwise. The Adviser shall use commercially reasonable best efforts to apply the entirety of Ancillary Fees actually received to offset Management Fees owed by investors, pro rata.

In addition to paying the Management Fee and allocating the Incentive Allocation, the Partnership is subject to other investment expenses, such as legal, accounting, auditing and other professional expenses, research expenses, investment expenses such as commissions, custodial fees, bank service fees and other expenses related to the purchase, sale or transmittal of Partnership assets, including assets for which there is no ready market, or which are subject to legal or contractual restrictions on sale or which have other characteristics

that the Adviser or its affiliate have determined in their sole discretion should result in holding such asset until the resolution of a special event or circumstance (“Designated Investments”). It is important that each investor who is considering an investment in the Partnership review the private placement memorandum, limited partnership agreement, management agreement, and/or subscription agreement (individually and collectively, the “Governing Documents”) applicable to the Partnership for a detailed description of the fees and expenses applicable to such investment, including Designated Investments.

The General Partner, in its sole discretion, may waive or reduce the Management Fee and the Incentive Allocation for limited partners that are principals, employees or affiliates of the General Partner or the Adviser, relatives of such persons, and for certain large or strategic investors.

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

As discussed in Item 5, the General Partner is allocated performance-based compensation by the Partnership in the form of an Incentive Allocation.

Item 7. Types of Clients

As described in Item 4, the Adviser’s clients are private pooled investment vehicles suitable for accredited, institutional and other sophisticated investors. Any minimums for investors are disclosed in the Partnership’s Governing Documents.

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

Investment Objective and Strategy

The investment objective of the Partnership is to achieve long-term capital appreciation. The Partnership invests in various securities and seeks to achieve its investment objective primarily through the purchase and long term ownership of common stock. The Partnership is not subject to any limitations on the amount of the Partnership’s capital which may be committed to any one asset class, industry or investment and the Adviser tends to invest a significant amount of the Partnership’s assets in its most attractive ideas and prefers a portfolio of concentrated positions. Accordingly, the Partnership may be heavily concentrated.

This strategy may be deemed to be highly speculative and is not intended as a complete investment program. It is designed only for sophisticated persons who can bear the risk of the loss of their entire investment and who have a limited need for liquidity. The Adviser can give no assurance that its investment strategy will achieve its investment objective.

Risk Factors

The following summary identifies the material risks related to the Adviser’s investment strategy and should be carefully evaluated before making an investment with the Adviser. The following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks:

Short Sales

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Partnership’s portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There is a risk that the Partnership would have to return the

securities it borrows, in connection with a short sale, to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and the Partnership may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. To date, the Partnership has not engaged in any short sales.

Special Situations

The Partnership may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price to the Partnership of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Partnership may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Partnership may invest, there is a potential risk of loss by the Partnership of its entire investment in such companies.

Non-U.S. Securities

Investing in securities of non-U.S. governments and companies which are generally denominated in foreign currencies, and utilization of foreign currency forward contracts and options on foreign currencies involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of United States issuers. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than are generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Currency Risks

A portion of the Partnership’s assets may be invested in securities that are denominated in non-U.S. currencies. The Partnership’s investments that are denominated in non-U.S. currencies are subject to the risk that the value of a particular currency will change in relation to the U.S. dollar or other currencies. The weakening of a country’s currency relative to the U.S. dollar will negatively affect the dollar value of the Partnership’s assets. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, central bank policy, and political developments.

Designated Investments

The Partnership has purchased, and may in the future purchase, investments for which there is no ready market and which the General Partner, in its sole discretion, determines should be treated as a “Designated Investment”. These investments may include securities which are subject to legal or contractual restrictions on sale, are not traded on any exchange or in the over-the-counter market, or which the General Partner determines should be held until the resolution of a special event or circumstance. Typically the General Partner would designate such an investment as a Designated Investment at or shortly after the time of

purchase, although in its discretion the General Partner may designate an investment as a Designated Investment at any time. A partner will only participate in Designated Investments that are purchased or designated after the admission of the partner to the Partnership.

Lack of Liquidity of Partnership Assets. Valuation

Partnership assets may, at any given time, consist of significant amounts of securities and other financial instruments or obligations which are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The purchase or sale of any such investments may be possible only at substantial premiums or discounts and it may be extremely difficult to accurately value any such investments. Further, if a substantial number of investors were to redeem their interests in the Partnership and the Partnership did not have a sufficient number of liquid securities, the Partnership might have to meet such withdrawals through distributions of illiquid securities.

Options

The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, either to purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Concentration of Investments

The Partnership will not be subject to any significant limitations on the amount of Partnership capital which may be committed to any one investment. Its objective will be to invest its capital in those situations which the Adviser believes will offer the greatest risk-adjusted returns. Accordingly, the Partnership may from time to time hold a few, relatively large (in relation to its capital) securities positions, with the result that a loss in any such position could have a material adverse impact on the Partnership's capital.

Micro to Medium Capitalization Companies

The Partnership may invest a portion of its assets in the stocks of companies with micro- to medium-sized market capitalizations. While the Adviser believes these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

Margin Borrowing

The Partnership is authorized to engage in margin borrowing under Regulation T of the Federal Reserve Board's margin rules. Margin borrowing increases returns to investors if the Partnership earns a greater return on leveraged investments than the Partnership's cost of such leverage. However, the use of margin borrowing exposes the Partnership to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the Partnership not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions

and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Partnership's cost of leverage related to such investments. In case of a sudden, precipitous drop in value of the Partnership's assets, the Partnership might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Partnership.

Business and Market Disruptions

Both the operations of the Partnership and the markets and investments in which the Partnership invests are subject to disruptions due to natural disasters such as floods, earthquakes, and other extreme weather conditions, and man-made catastrophes such as acts of terrorism and sabotage, and other extreme circumstances that are out of the control of the Partnership, such as power outages or failures, which cause Partnership prices of investments to behave erratically and to move in non-historical directions. Such disproportions may close markets or the Adviser's access to such markets, causing substantial losses to the Partnership. Counterparties of the Partnership are also susceptible to business disruptions by a counterparty and may cause substantial losses to the Partnership as well.

Control Positions

To the extent that the Partnership acquires a controlling stake in or is deemed an "affiliate" of a portfolio company, it may be subject to certain additional securities laws restrictions which could affect both the liquidity of the Partnership's interest and the Partnership's ability to liquidate its interest without adversely impacting the stock price, including insider trading restrictions and the disclosure requirements of Sections 13 and 16 of the Exchange Act. In addition, to the extent that affiliates of the Adviser are subject to such restrictions (for example, by virtue of being board members of such portfolio companies), the Partnership, by virtue of its affiliation with such affiliates of the Adviser, may be similarly restricted, regardless of whether the Partnership stands to benefit from such affiliate's control position.

Board Participation

The Adviser or its affiliates currently, and may in the future, serve on the boards of directors of certain of the Partnership's portfolio companies. Although such positions are important to the Partnership's investment strategy, they also create a conflict of interest and could subject the Adviser and the Partnership to claims they would not otherwise be subject to as investors, including claims of breach of duty of loyalty, securities claims and other director related claims.

Item 9. Disciplinary Information

The Adviser has no legal or disciplinary events to disclose.

Item 10. Other Financial Industry Activities and Affiliations

Neither the Adviser nor its Managing Members has any existing or pending affiliations with a broker-dealer or registered representative of a broker-dealer.

Neither the Adviser nor its Managing Members has any existing or pending financial industry affiliations, such as with a broker-dealer, Futures Commission Merchant (FCM), Commodity Pool Operator (CPO), Commodity Trading Advisor (CTA) or other investment adviser.

The Adviser and/or its Managing Members do not have a financial industry relationship or arrangement with a related person that is material to its advisory business or to its clients.

The Adviser has the ability to recommend or select other investment advisers for its clients. The Adviser does not have other business relationships with other investment advisers that create a conflict of interest.

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

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its related persons to put the interests of the Partnership before their own interests and to act honestly and fairly in all respects in their dealings with the Partnership. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. For additional information about the Code or to request a copy, please contact Thomas Walker at 646-442-6727. See below for further provisions of the Code as they relate to the pre-clearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers of securities, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of a Partnership. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, including the Partnership. The Adviser maintains written policies and procedures reasonably designed to prohibit the communication of such information to persons who do not have a legitimate need to know such information and to otherwise ensure that the Adviser is acting in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security. The Adviser and its personnel are prohibited from communicating such information with respect to the Partnership or using such information for the Partnership’s benefit.

To the extent that the Adviser or its related persons invest in the same securities that the Adviser or a related person recommends to a Partnership, such practices present a conflict where, the Adviser or its related person is in a position to trade in a manner that could adversely affect the Partnership. In addition to affecting the Adviser’s or its related person’s objectivity, these practices by the Adviser or its related persons may also harm the Partnership by adversely affecting the price at which the Partnership’s trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: the Adviser requires its related persons to pre-clear certain transactions in their personal accounts with the Adviser’s chief compliance officer (the “Chief Compliance Officer”) or his delegate, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on the Partnership. In addition, the Code prohibits the Adviser or its related persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer or his delegate. All related persons to the Adviser are also required to provide broker confirmations of each transaction in which they engage and a quarterly certification of such transactions. Trading in employee accounts will be reviewed by the Chief Compliance Officer or his delegate and compared with transactions for the client accounts and reviewed against the restricted securities list.

To the extent the Adviser buys or sells securities for a Partnership, at or about the same time that the Adviser or a related person buys or sells the same securities for its own account the Adviser and the related person, if applicable, will do so in accordance with the procedures described above in order to minimize the conflicts stemming from situations where the contemporaneous trading would result in an economic benefit for the Adviser or its related person to the detriment of the client.

Item 12. Brokerage Practices

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer’s compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution.

In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Due to the average trading volumes, factors such as speed of execution and discreteness are important factors in determining best execution. It is not the Adviser's practice to negotiate "execution only" commission rates, thus the Partnerships may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate.

The Adviser may receive research or brokerage services from a broker-dealer and/or a third party in connection with Partnership securities transactions. This is known as a "soft dollar" relationship. Although the Adviser does not currently have any soft dollar arrangements in place, to the extent the Adviser enters into any soft dollar arrangements in the future, the Adviser will limit the use of "soft dollars" to obtain services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934. Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, and services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

Item 13. Review of Accounts

The Managing Members regularly review and monitor the Partnership's portfolio to determine whether positions should be maintained in view of current market conditions. The Adviser's review may consider specific securities held, adherence to investment guidelines and the Partnership's performance.

Partnership investors receive written reports from the Partnership as described in the Partnership's Governing Documents.

Item 14. Client Referrals and Other Compensation

This Item does not apply, as the Adviser receives no economic benefit in connection with Client transactions, and does not compensate any person for Client referrals.

Item 15. Custody

An affiliate of the Adviser is deemed to have custody of client assets due to serving as the general partner of the Partnership and intends to comply with Rule 206(4)-2 under the Investment Advisers Act of 1940 by meeting the conditions of the pooled vehicle annual audit provision.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to the Partnership. Please see Item 4 and the Governing Documents for a description of any limitations the Partnership may place on the

Adviser's discretionary authority.

The Adviser entered into the Governing Documents with the Partnership, which sets forth the scope of the Adviser's discretion, prior to assuming full discretion in managing the Partnership's assets.

The Adviser has the authority to determine (i) the securities to be purchased and sold for the Partnership, subject to the Partnership's investment restrictions, and (ii) the amount of securities to be purchased or sold for the Partnership.

The General Partner and/or the Adviser has and may in the future enter into agreements or "side letters," with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the Partnership. For example, such terms and conditions may provide for special rights to make future investments in the Partnership, other investment vehicles or managed accounts; special withdrawal rights relating to frequency, notice, a waiver or rebate in fees or withdrawal penalties to be paid by the investor and/or other terms; rights to receive reports from the Partnership on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Partnership and such investor. The modifications are solely at the discretion of the Partnership and may, among other things, be based on the size of the investor's investment in the Partnership, with an affiliated investment entity or a managed account, an agreement by an investor to maintain such investment in the Partnership for a significant period of time, or other similar commitment by an investor to the Partnership.

Item 17. Voting Client Securities

The Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to a Partnership's securities, such proxies are voted in the best interests of the Partnership.

If a material conflict of interest between the Adviser and the Partnerships exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Partnerships or take some other appropriate action.

For additional information about the Adviser's proxy voting policies and procedures and information about how the Adviser voted the Partnership's proxies, please contact Thomas Walker at 646-442-6727.

Item 18. Financial Information

The Adviser does not require or solicit the payment of fees six months or more in advance.

The Adviser has no financial condition that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to its clients.

The Adviser has never been the subject of a bankruptcy petition.