

## **Part 2A of Form ADV: Firm Brochure**

### **Third Friday Management, LLC**

85 N. Congress Avenue  
Delray Beach, FL 33445

Telephone: (561) 239-1510  
Email: [mle Witt@thirdfriday.com](mailto:mle Witt@thirdfriday.com)  
Web Address: [www.thirdfriday.com](http://www.thirdfriday.com)

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This brochure provides information about the qualifications and business practices of Third Friday Management, LLC. If you have any questions about the contents of this brochure, please contact us at (561) 239-1510 or [mle Witt@thirdfriday.com](mailto:mle Witt@thirdfriday.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any other regulatory authority.

This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of applicable offering and governing documents that contain a description of the material terms relating to such investments, products or services.

Additional information about Third Friday Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

The date of our last annual updating amendment to our firm brochure was March 30, 2017. A summary of certain of the material changes to our firm brochure since the date of the last annual updating amendment is set forth below:

- We updated our regulatory assets under management as of December 31, 2018. **See Item 4.**
- We made various revisions, updates and changes to the disclosures regarding our investment strategy and separate accounts. **See Item 4**
- We updated our list of brokers. **See Item 12.**

*The information set forth in this brochure is qualified in its entirety by the applicable offering materials and/or governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable governing and offering documents, such documents shall control.*

*We encourage all clients and investors to carefully review this brochure in its entirety.*

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

Third Friday Management, LLC (the “Company”) has been in business since May 2007 and is principally owned by Michael E. Lewitt. The Company serves as the investment adviser to The Third Friday Total Return Fund, L.P., a Delaware limited partnership (the “Master Fund”) and The Third Friday Total Return Fund International, Ltd., a Cayman Islands exempted company (the “Feeder Fund” and collectively with the Master Fund, the “Funds”). These Funds collectively operate as a mini-master structure with all trading being conducted at the Master Fund level.

The Company provides investment advisory services to the Funds and to a limited number of separate accounts.

The Company also conducts substantial private equity and merchant banking businesses on behalf of primarily non-U.S. clients.

In its capacity as investment adviser to the Funds, the Company seeks to realize profits by overlaying a disciplined strategy of selling straddles on the S&P 500 Index over a portfolio of income generating securities which include, but are not limited to, U.S. Treasury bills, corporate bonds (including both publicly traded bonds and private placements), municipal bonds, ETFs, equities (traded both long and short) and other instruments. The Funds’ strategy relating to straddles is primarily rules-based but also requires the exercise of the investment adviser’s experience and discretion. The Fund adjusts the allocation of capital between options and other assets based on market conditions and opportunities. All trades are directed by the investment adviser. The Funds may engage sub-advisors to execute trades on behalf of the fund as well as to invest a portion of the excess collateral in the Funds if the investment adviser believes that the return to investors net of fees justifies such an investment.

The Company does not tailor its advice with respect to the Funds based on the individual needs of the investors in the Funds. The investment guidelines for separate accounts are tailored to the individual needs of clients, and clients may impose restrictions on investing in certain types of securities in separate accounts as stipulated in such client’s investment management agreement.

The Company does not participate in wrap fee programs.

As of December 31, 2018, the Company managed \$32,811,994 in regulatory client assets, all but \$1,037,375 of which was managed on a discretionary basis.

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

The Company receives from each Fund a management fee at an annual rate equal to (i) one percent (1%) of the capital account of each investor in the Master Fund, and (ii) one and one-quarter percent (1.25%) of the average net asset value of the Feeder Fund (which is based on the average net asset value of the Feeder Fund as of the last business day of each of the previous three (3) months of the prior quarter). The management fee is generally paid quarterly in arrears but may be paid monthly at the discretion of the Company. The Company is also entitled to a performance-based fee at the Feeder Fund level and the Company's affiliate, Third Friday GP, LLC, as general partner of the Master Fund (the "General Partner") is entitled to a performance-based allocation at the Master Fund level, each as discussed in Item 6 herein. Fees for the Funds are generally not negotiable. However, the Company may, in its sole discretion, waive or reduce the fees, by rebate or otherwise, with respect to any investor in the Funds including, without limitation, its affiliates and/or employees.

The Company does not deduct fees from client assets with respect to the separate accounts; the Company bills clients for fees incurred. Management fees charged to the Funds are calculated and deducted directly by the administrator from the relevant Fund's accounts.

The Company and any affiliates retained by the Company are reimbursed for certain expenses incurred on behalf of the Funds and the separate accounts. Each Fund is responsible for all ongoing costs and expenses associated with its administration and operation, including but not limited to government fees of the Funds, the General Partner and the Company, if any; analysis software and other data service providers; research expenses; Fund administration; brokerage commissions; communications; investment related travel expenses (including conferences, etc.); investment related consultants and other service providers (affiliated or unaffiliated) expenses; the Feeder Fund's pro rata share of the Master Fund's costs and expenses; insurance premiums (if any) of the Funds, the General Partner and/or the Company; printing costs; and all tax, accounting, audit, accounting related consultants, and legal fees of the Funds, the General Partner and the Company incurred with respect to management of the Funds, and similar ongoing operational expenses of each Fund. The expenses attributable to each separate account are set forth in the relevant investment management agreement.

Each separate account client is responsible for all costs and expenses of the separate account, and may include: (i) all costs and expenses of transferring the assets to the separate account; (ii) all taxes and governmental fees and charges incurred by the separate account (including all withholding taxes); (iii) all brokerage commissions and other trading costs and fees, underwriting discounts, sales loads, spreads and other similar charges; (iv) all charges of U.S. Depositories and of any custodian and/or other service providers, including all expenses incurred by the Company (or its designee) in providing pricing and/or other services; and (v) when appropriate, at the Company's sole discretion, the Company's pro rata share of the Company's research related travel expenses and entertainment expenses. Such reimbursable expenses do not include any expense attributable to the Company or its affiliate's provision of office personnel, space or facilities required for the performance of their services.

**See Item 12 herein for further details regarding the Company's brokerage practices.**

Investors in the Funds can withdraw or redeem their investments in the Funds, as applicable, on a quarterly (Master Fund) or monthly (Feeder Fund) basis. In the unlikely event that there is a withdrawal or redemption prior to the end of a month, or in the event that subscriptions are accepted other than at the beginning of a month, the management fee will be prorated based upon an investor's actual investment in the Fund. The General Partner of the Fund has the right to delay withdrawals beyond a quarterly basis based on market conditions or other considerations.

Fees and terms with respect to the Funds are not negotiable except in limited circumstances in the Company's sole discretion. The Company and/or the General Partner, as applicable, reserve the right to reduce or waive fees and/or certain terms including but not limited to waiving performance-based compensation and waiving management fees. All separate account fees are negotiable based on the specific strategy being followed and the size of the account.

The Company does not receive compensation from the sale of securities or other investment products other than its investment newsletter. The Company receives compensation with respect to its private equity and merchant banking activities.

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

The Company receives performance-based compensation at the Feeder Fund level equal to 15% of the net realized and unrealized profits of the Master Fund, accrued annually and subject to a high-water mark. The General Partner receives a performance-based allocation at the Master Fund level equal to 15% of the net realized and unrealized profits of the Master Fund, accrued annually and subject to a high-water mark.

The opportunity to earn such compensation may create an incentive for the Company to favor accounts that pay such fees over accounts that do not pay such fees. The Company addresses such potential conflicts of interest by allocating all securities on a pro rata basis to all accounts under management to the extent that such securities are consistent with the investment guidelines of such accounts. In all cases, the Company acts in a manner that treats all clients equally and do not place the interest of clients ahead of the interests of the Company.

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

As noted in Item 4 above, the Company provides discretionary investment advisory services to the Funds and to various separate accounts. The Company's clients are private funds operating in a mini-master structure as described in Item 4 whereby the Feeder Fund invests its assets in the Master Fund. The Funds' strategies are effectuated by the Company at the Master Fund level. The Feeder Fund has a minimum initial investment requirement of \$1,000,000 and the Master Fund has a minimum initial investment requirement of \$250,000. The minimum initial investment amount may be waived at the discretion of the directors of the Feeder Fund and the General Partner of the Master Fund, as applicable. The Company's separate account clients include both individuals and institutions, including endowments, pension funds, trusts, investment companies, family offices, funds-of-funds, and other hedge funds. The minimum separate account size for individuals is \$1,000,000 and for institutions is \$5,000,000, although these minimums may be waived in certain circumstances by the Company.

Each investor in a Fund must, among other things, make certain representations and warranties in the Fund's subscription documents. Depending on the Fund and the location of the investor, investors must qualify as "accredited investors" under the Securities Act of 1933, as amended, and "qualified clients" as defined under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

Each separate account client generally is required to sign an investment management agreement that, among other things, sets forth the nature and scope of the Company's investment management authority and the investment objectives, guidelines, restrictions and limitations applicable to the separate accounts.



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

### **Methods of Analysis**

In order to implement its investment strategy, the Company employs three different but interacting types of analysis with respect to all of its fundamental investment strategies (this discussion generally does not apply to market neutral investment strategies involving options or other systematic or non-fundamental investment strategies conducted in its Funds but may apply to the management of the collateral in those strategies).

Except as otherwise set forth in the investment management agreements (and subject to the terms, conditions, restrictions and limitations set forth therein), the separate accounts generally pursue investment strategies similar to those employed by the Funds while targeting different levels of risk.

### **Fundamental Investment Strategies**

First, the Company engages in extensive macroeconomic analysis of global economic and geopolitical conditions in order to form a view of the current economic and market environment. This analysis involves a broad range of inputs from a broad range of sources. The Company also monitors a broad range of financial market data points from around the world that the Company believes serve as early warning signals that may alert it to impending market instability. The most important decision the Company makes is what type of exposure the Company wants to have to the markets. If the Company believes conditions are stable, the Company is likely to take more risk than when the Company believes markets are unstable. Further, when the Company believes conditions are unstable, the Company is likely to shorten portfolio duration, shift from fixed to floating rate interest rate exposure, increase cash positions, sell short or hedge its long positions. The Company believes it is very important to form a view on the stability and direction of markets at all times.

Once the Company has formed that view, the Company engages in the second type of analysis: fundamental financial analysis of each individual investment the Company makes whether it is a bond, loan, stock, master limited partnership, real estate investment trust, or a derivative thereof such as a credit default swap. This analysis involves detailed and exhaustive analysis of a company's balance sheet, income statement and cash flow statement, its business and industry, its historical financial and business performance, its management, its ownership, and similar factors. Finally, the Company analyzes how a particular company is affected by current and expected macroeconomic conditions.

Once the Company is comfortable with the credit quality of a particular company, the Company begins the third type of analysis: analysis of the specific security the Company intends to purchase or sell short. This analysis studies the pricing of the security, its legal structure (i.e. covenants) and whether the Company believes it offers the appropriate compensation for the risk involved in owning it. The Company evaluates both the upside and downside of each security it purchases, and establishes target purchase and sale prices for each security it purchases.

All three of these types of analysis interact with each other to help the Company make a decision

whether to make a particular investment.

Further, the Company tries to overweight what it considers its “best ideas” in both its separate accounts and Funds. A “best idea” is an investment that the Company believes offers the highest potential return in terms of the risk involved in owning it. That does not necessarily mean it will be the investment that produces the highest absolute return, but the investment that the Company believes will produce the highest *risk-adjusted* return. Even with this overweighting, the Company maintains diversified portfolios to insure that no single investment can cause a disproportionately large loss if its analysis proves to be wrong. Separate accounts may have different position limitations. The Company does not employ leverage in its separate accounts unless expressly encouraged to do so by the client (who must also give consent in writing). Each Fund is authorized to borrow in order to enhance its investment leverage, and there are no restrictions on the borrowing capacity of the Funds other than limitations imposed by lenders and any applicable credit regulations.

Separate accounts follow a variety of strategies investing in bonds, stocks and ETFs to generate yield income. The investment guidelines for separate accounts are established in discussions between the Company and the client and then documented in an investment management agreement. These guidelines are actively monitored for compliance.

#### Market Neutral Strategies

The Master Fund sells at-the-money options straddles on the S&P 500 index on a 3-month rolling basis and hedges these positions with out-of-the-money puts and calls. Excess collateral is invested in portfolio of primarily income-generating securities. These strategies are not focused on the same type of fundamental securities analysis as the “Fundamental Investment Strategies” described above.

#### Risk of Loss

Investing in securities involves the potential to lose money, and there can be no assurance that the strategies the Company employs will be successful. Some of its investments are made in bonds and loans issued by companies rated below investment grade by Moody’s Investor Service and Standard & Poor’s. As such, these bonds and loans are considered to have a higher risk of default – which poses a higher risk of loss to investors – than higher rated, investment grade bonds and loans. High yield bonds generally decline in value if interest rates rise because they are fixed income securities whose value is reduced by higher interest rates. High yield bonds may also decline in periods when the equity markets decline because these bonds are considered to be hybrid debt/equity securities. In certain periods, such as 2008, below investment grade securities can suffer severe drops in value that can result in catastrophic losses for investors who are forced to sell. Accordingly, clients should be prepared to bear the risk of loss with respect to their investments with the Company.

#### Risks of Derivatives

The Funds trade derivatives, including primarily exchange traded options. The risks posed by derivatives include (1) credit risks (the exposure to the possibility of loss resulting from a counterparty’s failure to meet its financial obligations); (2) market risks (adverse movements in the price of a financial asset or commodity); (3) legal risks (an action by a court or by a

regulatory or legislative body that could invalidate a financial contract); (4) operations risks (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risks (exposure to losses resulting from inadequate documentation); (6) liquidity risks (exposure to losses created by the inability to prematurely terminate a derivative); (7) systemic risks (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risks (exposure to losses from concentration of closely-related risks such as exposure to a particular industry or exposure linked to a particular entity); and (9) settlement risks (the risk that the Funds when they have performed its obligations under a contract but have not yet received value from its counterparty).

### Options Trading

The Funds sell call and put options on stock indexes. A stock index measures the movement of a certain group of stocks by assigning relative values to the common stocks included in the index. The selling of call and put options contains risks. In theory, the exposure to loss is potentially unlimited in the case of an uncovered call writer (i.e., a call writer who does not have and maintain during the term of the call an equivalent long position in the stock or other security underlying the call), but in practice the loss is limited by the term of existence of the call. The risk for a writer of an uncovered put option (i.e., a put option written by a writer that does not have and maintain an offsetting position in the underlying stock or other security) is that the price of the underlying security may fall below the exercise price. The effectiveness of purchasing or selling stock index options as a hedging technique may depend upon the extent to which price movements in investments are hedged to correlate with price movements of the stock index selected. Because the value of an index option depends upon movement in the level of the index rather than the price of a particular stock, whether a gain or loss will be realized from the purchase or writing of options on an index depends upon movements in the level of stock prices in the stock market generally, rather than movements in the price of a particular stock.

### Exchange Traded Funds

Exchange traded funds (“ETFs”) represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed to generally correspond to the price and yield performance of their underlying indexes, either broad stock market, stock industry sector, international stock or U.S. bond. ETF shareholders are subject to risks similar to those of holders of other diversified portfolios. A primary consideration is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income exchange traded fund, respectively. This is because an equity (or bond) ETF represents an interest in a portfolio of stocks (or bonds). When interest rates rise, bond prices will generally decline, adversely affecting the value of fixed income ETFs. Moreover, the overall depth and liquidity of the secondary market may also fluctuate. An exchange traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based. International investments may involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, or economic or political instability in other nations. Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indexes, ETFs may not be able to exactly replicate the performance of the indexes because of their expenses and other factors.

### Currency and Exchange Rate Risks

The Funds may invest in securities denominated in currencies other than the U.S. dollar or in securities which are determined with references to currencies other than the U.S. dollar. The Funds, however, will generally value their assets in U.S. dollars. To the extent unhedged, the value of the Funds' assets will fluctuate with U.S. dollar exchange rates as well as with price changes of their investments in the various local markets and currencies. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates, and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably through intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Funds may make investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of the Funds' securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Funds' non-U.S. dollar securities. Forward currency contracts and options may be utilized on behalf of the Company to hedge against currency fluctuations, but the Company is not required to hedge and there can be no assurance that such hedging transactions, if undertaken, will be effective.

### Newly Created Securities; Initial Public Offerings

The Funds may invest in securities sold pursuant to initial public offerings or securities created as a result of spin-offs, split-offs, recapitalizations or other significant corporate events. Such securities have no public market prior to their initial offering or creation and there is no assurance that (i) an active public market in such securities will develop or continue after commencement of trading or (ii) that the initial public offering price or initial trading level of such securities will be indicative of the market price for such securities on a "fully-distributed" basis.

### Cyber Security Breaches and Identity Theft

The Company, its clients and their respective service providers depend on information technology systems and, notwithstanding the diligence that the Company may perform on such service providers, the Company may not be in a position to verify the risks or reliability of such information technology systems. The Company, its clients and their respective service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. The Company's, its clients' and their respective service providers' information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Company and its affiliates have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of

time or cease to function properly, the Company and/or its clients may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Company's and its clients' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Company or its clients' reputations, subject any such entity and its respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to the Company's clients or individual investors by interfering with the Company's or any affiliates' operations. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose one or more of the Company's clients or the Company to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and clients may be required to indemnify the Company against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

*The foregoing list of risk factors does not purport to be an all-encompassing list or explanation of the risks attendant to the Company's investment program for the Funds and the separate accounts. In addition, as the Company's investment program for the Funds and the separate accounts develops and changes over time, the strategy may be subject to additional and different risks. A more comprehensive list of risks is included in the Funds' offering materials.*

**Item 9. Disciplinary Information**

There has been no disciplinary action against any management person of the Company.

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

Neither the Company nor any of its management persons is, or has an application to become, registered as a broker-dealer or a registered representative of a broker-dealer.

Neither the Company nor any of its management persons is, or has an application to become, registered as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associate person of the foregoing entities.

Neither the Company nor any of its management persons has any relationship or arrangement with a related person that is material to the Company's advisory business or to the Company's clients except as provided below:

As discussed in Item 5, the General Partner of the Master Fund is an affiliate of the Company. The General Partner is entitled to receive performance-based compensation from the Master Fund as discussed in Item 6. The relationship between the General Partner and the Company creates an incentive for the Company to make investments that are riskier or more speculative than would be the case if the General Partner did not receive incentive compensation from the Master Fund.

The Company does not recommend or select other investment advisers for its clients though on occasion the Fund does engage other investment advisers to invest a portion of its excess collateral when it determines that the net return on such investment justifies such an investment.

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

The Company has adopted and implemented a Code of Ethics that each of its employees must read and acknowledge in writing on an annual basis. This Code of Ethics not only sets forth the guiding ethical principles that govern the conduct of its business, but also encompasses the policies that govern the different aspects of its business, including personal trading, advertising and marketing, allocation of trading among client accounts, document and email retention policies, internal financial controls, proxy voting procedures and policies, and all other important policies and procedures. The Code of Ethics reminds employees that Section 206 of the Advisers Act makes it unlawful for any investment adviser and for its employees:

- to employ any device, scheme, or artifice to defraud a client or prospective client;
- to engage in any transaction, practice, or course of business which defrauds or deceives a client or prospective client;
- knowingly to sell any security to or purchase any security from a client when acting as principal for his or her own account, or knowingly to effect a purchase or sale of a security for a client's account when also acting as broker for the person on the other side of the transaction, without disclosing to the client in writing before the completion of the transaction the capacity in which the adviser is acting and obtaining the client's consent to the transaction; and
- to engage in fraudulent, deceptive or manipulative practices.

A copy of the Company's Code of Ethics is available to clients and prospective clients upon request. The overriding principle expressed in the Company's Code of Ethics is that the interests of the Company's clients are paramount in its business and must be placed before the interests of any of the employees, shareholders or management personnel of the Company.

The Company recommends interests in the funds in which its affiliate acts as the general partner and the Company acts as the investment manager. In these roles, the Company (directly or indirectly) receives compensation and therefore has a material economic interest. In order to manage any conflict of interest this may create, the Company discloses its economic interest as well as all other information about these investments. Moreover, on an ongoing basis, the Company offers investors with full transparency with respect to the investments in these funds so they will always know what they own.

The Company discourages but does not forbid its employees from buying or selling the same securities that the Company invests in on behalf of its clients. To the extent the Company's employees do invest in these securities, they must first seek approval from the Company's Chief Compliance Officer in writing. Further, they can only buy or sell a security on a day on which the Company is not buying or selling the same security in any client account, including the Funds. Any violation of this policy may result in termination of employment. Employee personal trading and holdings reports are reviewed by the Chief Compliance Officer to ensure compliance with the Code of Ethics.



## **Item 12. Brokerage Practices**

Generally, in choosing brokers and dealers, the Company will seek the best combination of research services, brokerage expenses and execution quality but the Company is not required to select the broker or dealer that charges the lowest transaction cost. The Company utilizes brokers who provide it with best execution. Best execution involves not only price but also the ability to buy or sell a particular security in markets that are not always liquid. With respect to stocks and ETFs, best execution primarily relates to price. With respect to bonds, bank loans and credit default swaps, best execution is primarily related to who can access a particular security since these markets are not always liquid. With respect to options, there are a variety of factors that contribute to best execution including but not limited to price, commissions and reliability.

The Company does not utilize soft dollars and does not mark up securities or charge brokerage commissions. The Company does not ask clients to direct its trades to specific brokers. There are cases where a separate account client custodies assets at a specific broker and requires the Company to execute all trades through that broker. The Funds use WallachBeth Capital LLC, Interactive Brokers LLC and TD Ameritrade to execute all of their options trades, and Ameritrade and Interactive Brokers are the primary custodians of the assets of the Funds.

**Item 13. Review of Accounts**

The client accounts are reviewed frequently by the Company's senior management. The review includes the consideration of positions held, risk exposure and proper settlement. Investors in the Funds generally receive annual audited financial statements and all investors receive monthly estimated performance reports which are prepared by the administrator of the Funds and the custodians of the separate accounts. All such reports are written.

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

The Company does not receive compensation or other economic benefit from anyone who is not a client for providing investment advice or other advisory services to its clients.

The Company may compensate third parties in possession of the required securities licenses for client referrals. Such parties must follow all applicable disclosure rules in order to inform clients that they are being compensated and therefore may have a conflict of interest in recommending the Company services because they will be compensated if the client invests with the Company. In general, such persons are paid a percentage of the total compensation the Company receives from clients that are referred to the Company. Such compensation will not increase the amount of fees charged by the Company to such investors. Every client who is referred to the Company by a third party who receives compensation for that referral must sign a disclosure statement that describes the compensation paid to the third party. Clients do not pay higher fees when the Company compensates someone who referred them.

## **Item 15. Custody**

The Company is deemed to have “custody” over the Master Fund’s cash and securities as the Company’s related person, the General Partner, serves as general partner to the Master Fund. The Master Fund’s cash and securities are held in custody at a bank or brokerage firm over which the Company has trading and signature authority. The Master Fund’s cash and securities are custodied at Interactive Brokers and TD Ameritrade, the qualified custodian.

The Company does not have “custody” of assets in the Feeder Fund. Neither the Company, nor any related person of the Company, has the authority to withdraw cash and securities of the Feeder Fund, no principal or employee of the Company has the right to withdraw cash or securities from any account of the Feeder Fund, and no principal or employee has signatory authority over the accounts of the Feeder Fund. Notwithstanding the foregoing, cash and securities of the Feeder Fund are custodied at Ameritrade and Interactive Brokers, the qualified custodians.

The Company does not have “custody” of assets in any separate accounts. Any separate account cash and securities are held by a qualified custodian of the client’s choice. Custodians of separate accounts and administrators of the Funds send monthly statements directly to clients and partners.

Clients should carefully review these statements for accuracy and call the Company if they have any questions or believe these statements contain any errors or inaccuracies.

## **Item 16. Investment Discretion**

The Company is given discretionary authority to manage securities on behalf of its clients pursuant to written instructions given to custodians of separate accounts or pursuant to the governing agreements and offering documents of the Funds (specifically the investment management agreement entered into by the Funds and the Company). Separate account clients establish specific investment guidelines that are set forth in the investment management agreement that is signed by the Company and the client at the time the account is established.

The Company is authorized to make the following determinations in accordance with each client's objectives and restrictions without obtaining prior consent from any client or investor: (1) which securities or instruments to buy or sell; (2) total amount of securities or instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

Each investor in the Funds generally grants to the Company or its affiliates a limited power of attorney to enable the Company to execute the applicable governing document agreement on their behalf.

Separate account clients generally will grant the Company a limited power of attorney to enable the Company to perform authorized trading with respect to their separate accounts.

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

The Company has authority to vote all client securities. The Company has adopted a Proxy Voting Policy in accordance with Rule 206(4)-6 of the Advisers Act that is available to clients upon request. The Company does not allow investors in the Funds to direct how the Company votes in any particular solicitation. Proxies, when voted, will always be voted in the best interest of the Company's clients. The Company shall consider all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote. The Company has a proxy voting member (the "Proxy Voting Member") that is responsible for deciding how the Company will vote a proxy. The Proxy Voting Member, along with the Company's Chief Compliance Officer, shall resolve all material conflicts of interest issues prior to voting. The Company has established a Proxy Voting Worksheet that enables its personnel to determine if a conflict of interest exists. In the event of a conflict of interest, the Chief Compliance Officer may determine that the Proxy Voting Member (who has the conflict of interest) is to be recused from the deliberations as to how to vote a proxy on a case-by-case basis. In such case, the Chief Financial Officer will serve in the place of the Proxy Voting Member or will appoint a member of the Company to serve in the place of the Proxy Voting Member. A copy of the Company's proxy voting policies and procedures and information on how the Company has voted proxies are available upon request from the Company's Chief Compliance Officer.

**Item 18. Financial Information**

The Company does not require or solicit prepayment of any fees from clients at any time. The Funds may pay fees on a monthly basis from time to time.

The Company does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients.

Neither the Company nor any executive or member of management has been the subject of a bankruptcy petition at any time in their history.

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

Not applicable.



## **General Information**

### **Privacy Policy**

The Company has adopted policies and procedures reasonably designed to protect various records and information of clients and investors. Except as set forth in the applicable offering materials and as otherwise authorized by each client and/or investor, private information about investors and clients is disclosed only as permitted by applicable law to the Company's affiliates and service providers, including the Company's accountants, attorneys, brokers, custodians, transfer agents and any other parties whose services are necessary or convenient to the services the Company provides. The Company delivers initial notification of the Company's privacy policy as part of fund subscription documents.

### **Trade Errors**

Consistent with the Company's fiduciary duties, the Company's general policy is to use the utmost care in making and implementing investment decisions with respect to client accounts. To the extent that the Company makes an error while placing a trade for a client's account, the Company generally will strive to act in a manner that is consistent with its fiduciary duty to such client and take such actions necessary to fulfill its fiduciary obligations to such client. The Company's policy is that trade errors must be promptly investigated and resolved. As a general matter, a client account should be placed in the same position as if the trading error had not occurred. A written record of the error and its resolution must be prepared and retained.