

# **LAVACA CAPITAL, LLC**

## **Firm Disclosure Brochure – Form ADV Part 2A**

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### **Item 1: Cover Page**

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#### **Lavaca Capital, LLC**

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(713) 496-2208

Version Date: March 30, 2022

**This Disclosure Brochure provides information about the qualifications and business practices of Lavaca Capital, LLC (“Lavaca,” “we,” “our,” or the “Firm”). If you have any questions about the contents of this Disclosure Brochure, please contact us at: (713) 496-2208.**

**The information in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment advisor does not imply any specific level of skill or training. This Disclosure Brochure provides information to assist you in determining whether to retain Lavaca Capital, LLC.**

**Additional information about Lavaca Capital, LLC and its advisory persons is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Lavaca’s CRD number is #167238. At any time you may view the current Disclosure Brochure on-line at the SEC’s Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). To review the firm information for Lavaca Capital, LLC:**

- Check **Investment Advisor Search** in the left navigation menu.
- Select the option for **Investment Advisor Firm** and enter **(167238)** (our firm's CRD number) in the field labeled "Firm IARD/CRD Number".
- This will provide access to Form ADV Part 1 and Part 2.
- Item 11 of the ADV Part 1 lists legal and disciplinary questions regarding the Advisor.
- In the left-hand navigation menu, Form ADV Part 2 is located near the bottom.

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## **Item 2: Material Changes**

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This is Lavaca Capital, LLC's annual updating amendment to its last Brochure, which was filed on June 04, 2021. This Brochure has been updated; however, none of the changes contained in this document are deemed to be material.

There are no other material changes to summarize. However, in the future, this section of our Brochure will contain a summary of any material changes we have made since our last annual Brochure, and we will provide you with a copy of that summary within 90 days of the end of our fiscal year each year. We will also provide you with copies of any new Brochure as necessary under the state rules.

Investors are encouraged to review this brochure in its entirety. The information set forth in this brochure is qualified in its entirety by the applicable offering and governing documents. In the event of a conflict between the information set forth herein and the applicable offering and governing documents, the information set forth in the applicable offering and governing documents shall supersede.

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## Item 4: Advisory Business

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### **A. Description of Advisor Firm**

Lavaca Capital, LLC ("Lavaca" or the "Advisor") is a registered investment adviser and is a Limited Liability Company organized in the state of Texas on January 22, 2013. Registration does not imply a certain level of skill or training.

The principal owner and Chief Compliance Officer is Scott L Phillips.

### **B. Advisory Services Offered**

Advisor seeks to provide its Clients with consistent positive investment returns utilizing a range of investment strategies, including investing in equity, fixed income and derivative investments, while hedging market exposure by incorporating actively managed option hedges which are expected to act as risk management tools in an effort to reduce volatility of portfolio returns, generate incremental yield and provide downside market price protection.

### **C. Services Limited to Specific Types of Investments**

Advisor generally limits its money management to mutual funds, equities, bonds, fixed income, options, debt securities, ETFs, REITs, and government securities, hedge funds and limited partnerships. Advisor may use other securities as well to help diversify a portfolio when applicable.

### **D. Client Tailored Services and Client Imposed Restrictions**

Advisor offers the same suite of services to all of its clients. However, specific Client financial plans and their implementation are dependent upon the Client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Separate Account Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent Advisor from properly servicing the client account, or if the restrictions would require Advisor to deviate from its standard suite of services, Advisor reserves the right to end the relationship.

### **E. Wrap Fee Programs**

Advisor does not manage or participate in any wrap fee programs.

### **F. Amounts Under Management**

As of December 31, 2021, total assets under management were \$431,737,274. Clients may request more current information at any time by contacting the Advisor.

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## Item 5: Fee Compensation

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### A. Fee Schedule

Below is a discussion of how Lavaca is compensated in connection with providing advisory services to its Clients. The Adviser may enter into different fee arrangements on a Client by Client basis. Because the Adviser may enter into different fee arrangements on a client-by-client basis, please ensure you obtain and carefully read and study all applicable offering documents for any Fund or Funds for which the Adviser provides investment advisory services. The information contained herein is a summary only and is qualified in its entirety by the Advisory Client's Governing Documents. Investors and prospective investors are advised that they should consult with their own legal, financial, tax and other advisers when making any investment decision.

### Funds

Each Fund typically consists of three classes, Class A ("Founder's Class"), Class B, and Class C. As specified in the Fund Offering Documents, Class A Interests will not be available for investment after the Fund reaches a particular threshold in assets under management or it has passed the Class A Subscription deadline.. Class C Interests are solely available for investment to the principals or employees of the Investment Manager and are not available for investment to unaffiliated investors.

*Management Fees.* For its services to the Fund, the Adviser is entitled to a management fee (the "Management Fee") at an annual rate of up to (i) one and a half percent (1.50%) for the Founders Class or (ii) one and a half percent (1.50%) for Class B of the capital account balances of the Limited Partners admitted to the Fund. The Management Fee is calculated each calendar quarter and paid each calendar quarter in advance. Class C Interests will not bear any Management Fee.

*Performance Allocation.* The Adviser is entitled to a performance-based profit allocation at the end of each calendar year up to (i) thirty percent (30%) for the Founders Class or (ii) twenty percent (20%) for Class B of the amount, determined as of the end of each calendar year with respect to each Limited Partner's net profit for the fiscal year, subject to a high water mark as more fully explained in the Fund's offering documents (the "Performance Allocation"). Class C Interests are not subject to a Performance Allocation.

*Organizational Expenses.* The Fund bears the expenses of the organization of the Partnership and the offering of membership interests (including legal and accounting fees, printing costs, travel, all regulatory filing fees and expenses and out-of-pocket expenses). The organizational expenses borne by the Fund are described in more detail in the Funds' Offering Documents.

*Direct Expenses of the Fund.* The Fund is responsible for all direct expenses related to its operations and activities, including but not limited to, all of its expenses associated with its investment portfolio, including brokerage commissions and other transaction costs, the full cost of expenses related to proxies, underwriting and private placements, brokerage commissions, interest on debit balances or borrowings, custody fees and any withholding or transfer taxes imposed on the Fund. The Fund also bears all out-of-pocket costs of the administration of the Fund, including accounting, audit, compliance (including all regulatory filing fees and expenses), legal and other professional expenses, research-related travel and expenses, costs of any litigation or investigation involving the Funds' activities, and costs associated with reporting and providing information to existing and prospective members. A more detail list of the expenses of the Fund are also found in the Fund's

Offering Documents. Expenses (including but not limited to expenses described above and in the Fund's Offering Documents) that are shared by Fund and any other investment vehicles or accounts of the Investment Manager (and its affiliates) shall be borne by the Fund and such other entities or accounts in such proportions as the Investment Manager in its sole discretion deems to be fair and equitable to the Fund and such vehicle or account, as applicable. There may be certain instances where expenses (including in respect of services of administrative personnel retained by the Investment Manager or General Partner that would otherwise be performed by third parties for the Fund) are allocated between the Investment Manager and the General Partner, on the one hand, and the Fund and one or more other investment vehicles or accounts, on the other hand. The Investment Manager's allocation practices with respect to such expenses may be subject to change based on subsequent evaluations of allocation practices. Allocation methodologies used by the Investment Manager may include the relative sizes of the participating vehicles or accounts, the related investment activity of the applicable vehicles and accounts and the particular circumstances that caused the expense to be incurred with respect to each entity or account.

*Withdrawals.* Limited Partners of the Fund are allowed to make withdrawal requests on sixty (60) days prior written notice, subject to certain restrictions as more fully explained in the Fund's Offering Documents. Each Limited Partners is subject to a three percent (3.0%) withdrawal fee on its capital account if a withdrawal is requested within twelve months (the "lock-up period") of the Limited Partner's initial investment in the Fund.

#### Separate Accounts

*Management Fees.* The fees and expenses associated with the Accounts will be negotiated with each Account and are described in detail in each Account's Offering Documents. Generally, the Adviser will be entitled to a management fee of two percent (2.0%) of an Account's assets.

*Performance Fees.* The Adviser is generally entitled to a performance-based profit allocation at the end of each calendar year equal to 20%, determined as of the end of each calendar year with respect to each Client's net profit for the fiscal year, subject to a high water mark as more fully explained in an Account's governing documents (the "Performance Allocation").

Separate Account Clients who wish to terminate their account without the payment of any fees must notify Advisor within ten business days of execution of the Investment Advisory Contract. If services are terminated within ten business days of executing the Investment Advisory Contract, services will be terminated without penalty. After the initial ten business days, the Client may be responsible for payment of fees for the number of days services are provided by Advisor prior to receipt of the written notice of termination. Otherwise, the Client may terminate an Investment Advisory Contract by providing written notice to Advisor. Any and all fees shall be prorated to the date of termination and payable upon termination of the account. For additional contributions greater than or equal to \$10,000 made to the account during the quarter, fees are prorated from that date to the last day of the quarter.

#### **B. Payment of Fees**

Fees are generally payable quarterly based on a valuation of the Client's account and may be paid for in advance if such terms are agreed upon between the Advisor and a Client. However, advisory fees are not collected for services to be performed more than six months in advance. Additionally, payments of advisory fees are generally deducted from Client accounts held with the custodian for such account.

#### **C. Clients are Responsible for Third-Party Fees**

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees,

transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by Advisor. Please see Item 12 of this brochure regarding broker/custodian.

**D. Outside Compensation for the Sale of Securities to Clients**

Neither Advisor nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

Greater detail regarding fees and expenses are available in Client Investment Management Agreements.

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

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As stated in Item 5 above, the Advisor or its affiliates receive performance-based fees or allocations from certain Clients. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3, which requires that performance-based fees only be charged to "qualified clients" (as such term is defined in Rule 205-3).

Performance-based fees, in general, may create an incentive for the Advisor or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities. To address these conflicts of interest with respect to any future clients, the Advisor has implemented policies and procedures to ensure that all clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities.



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

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We offer our investment advisory and sub-advisory services to pooled investment vehicles, registered investment companies, and individuals, including high net worth individuals, trusts, estates, foundations and endowments, as well as corporations or other business organizations.

Separate accounts normally need to meet a preferred minimum investment of \$500,000 to be accepted for management, but such requirements differ depending upon the particular advisory program or investment strategy employed.

Fund Investors normally need to meet a minimum investment of \$1,000,000 to be accepted into the Fund.

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

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### **A. Methods of Analysis and Investment Strategies**

Our investment strategies will be based upon the our evaluation of current and projected economic activity from time to time. The implementation process involves a disciplined, rigorous search for securities which represent the best relative value. Our mandate is broad and it has the flexibility to pursue investment opportunities across industries, geographies, market capitalizations, and securities (e.g. equity and fixed-income) as it executes its strategy. We believe this flexibility is a key advantage to generating strong risk-adjusted returns.

Because the Adviser may stipulate distinct investment strategies on a client-by-client basis, please ensure you obtain and carefully read and study all applicable offering documents for any Fund or Funds for which the Adviser provides investment advisory services. Under current market conditions, the portfolios are expected to be primarily comprised of equity and option investments in securities that give broad exposure to U.S. indices, equity investments in large-cap US companies, and other securities and derivatives focused on limiting downside risk exposure to sudden price declines in the equity positions and equity indices. Depending on market conditions, we may adjust the investment strategy, in our sole discretion, to seek to profit from volatility characteristics in the instrument within which an account trades, the price dislocation caused by the differential between option implied volatility and realized volatility, as well as option time decay characteristics.

We generally follow these primary investment strategies: 1) We will utilize option strategies as a contributor to the risk-adjusted returns and will use these option strategies in relation to its core holdings and as part of its tactical trading, in an effort to reduce volatility of portfolio returns, generate incremental yield and provide downside market price protection. 2) We will utilize option strategies as the main contributor to its risk-adjusted returns and will use these option strategies as part of its tactical trading, in an effort to reduce total portfolio drawdown, generate absolute return and provide upside market price appreciation. These strategies may include, without limitation, selling and buying calls, puts, straddles, strangles, writing covered calls on long positions and other multi-leg option strategies.

Additionally, as part of our option trading activities, Clients may be assigned the stock of an underlying security. In these cases, we may seek to exit the security immediately but are more likely to write covered call options on the security to collect additional premium and have the stock called away. We may seek to enhance the returns of the stock owned by writing and then exiting a series of covered calls on the stock owned until it is called away, effectively trading around the position to attempt to maximize the return.

### **B. Risk of Loss**

Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. Lavaca will assist Clients in determining the appropriate strategy based on their tolerance for risk and other factors noted above. However, there is no guarantee that a Client will meet their investment goals.

Each Client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a Client's account. Client participation in this process, including full and accurate disclosure of requested information, is essential for analysis of a Client's account. The Advisor shall rely on the financial or other information provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided

information. It is the responsibility of the Client to inform the Advisory of any changes in their financial condition, goals, or other factors that may affect this analysis.

Lavaca primarily employs investment strategies that pertain to options and trading in options may pose more risk than trading in than domestic equities. The risks associated with a particular strategy are provided to each Client in advance of investing Clients accounts. The Advisor will work with each Client to determine their tolerance for risk as part of the portfolio construction process. Additionally, each client should read and understand the Characteristics & Risks of Standard Options brochure, which can currently be located at the following website address: <http://www.optionsclearing.com/components/docs/riskstoc.pdf>.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **Risks of Specific Securities Utilized**

Advisor generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, Advisor may utilize options, which generally hold greater risk of capital loss; and clients should be aware that there is a material risk of loss using any of those strategies.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss. Mutual funds are not guaranteed or insured by the FDIC or any other government agency. You can lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned above).

**Equity** investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Treasury Inflation Protected/Inflation Linked Bonds:** The Risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**Fixed Income** is an investment that provides fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Debt securities** carry risks such as the possibility of default on the principal, fluctuation in interest rates, and counterparties being unable to meet obligations.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Investments in these securities are not guaranteed or insured by the FDIC or any other government agency.

**REITs** have specific risks including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.

**Precious Metal ETFs** (Gold, Silver, Palladium Bullion backed “electronic shares” not physical metal): Investing in precious metal ETFs carries the risk of capital loss.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability and inflation.

**Options** involve a contract to purchase or sell a security at a given price, not necessarily at market value, depending on the market.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **General Risks**

*Investment Risks.* All investments risk the loss of capital. No guarantee or representation is made that a Client's program will be successful, and investment results may vary substantially over time. A Client's investment program may utilize investment techniques such as options, derivatives, margin transactions, futures and short sales, which practices can, in certain circumstances, maximize the adverse impact to which a Client may be subject.

*Market Risks In General.* A Client is subject to market risk, including, but not limited to, changes in the regulatory environment, "flights to quality," and "credit squeezes." The particular or general types of market conditions in which losses may be incurred or unexpected performance volatility experienced cannot be predicted, and the Advisor's strategies may materially underperform other investment funds or accounts with substantially similar investment objectives and approaches. Market risk applies to every market and every Client investment. The prices of Client Investments may fluctuate widely over short or extended periods in response to market or economic news and conditions, and securities markets also tend to move in cycles. In addition, different asset classes and geographic markets may experience periods of significant correlation with each other. As a result of this correlation, Client Investments and markets in which a Client invests may experience volatility due to market, economic, political or social events and conditions that may not readily appear to directly relate to such Client Investments, a Client Investments' issuer or the markets in which they trade.

## **Investment and Trading Risks**

*Investment Judgment.* The profitability of a significant portion of a Client's investment program depends to a great extent upon correctly assessing the future course of the price movements of Client Investments. Investing with the Advisor presents the risk that Client Investments may never reach what the Advisor believes are their fair market values, either because the market fails to recognize what the Advisor considers to be a Client Investments' true business values or because the Advisor misjudges those values. There can be no assurance that the Advisor will be able to predict accurately these price movements.

*Illiquidity.* Certain investments made by a Client may be illiquid, and consequently a Client may not be able to sell such investments at prices that reflect the Advisor's assessment of their value or the amount paid for such investments by a Client. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by a Client and other factors. Furthermore, the nature of a Client's Investments may require a long holding period prior to profitability. Client Agreements authorize the Advisor to make distributions in kind in lieu of or in addition to cash. In the event the Advisor makes distributions of Client Investments in kind, such Client Investments could be illiquid or subject to legal, contractual and other restrictions on transfer.

*Competitive Markets.* The investments industry in general, and the markets in which a Client intends to trade, are extremely competitive. In pursuing its trading methods and strategies, a Client will compete with investment firms, including many of the larger investment advisory and private investment firms, as well as institutional investors and, in certain circumstances, market-makers, banks and broker-dealers. In relative terms, a Client may have

little capital and may have difficulty in competing in markets in which its competitors have substantially greater financial resources, larger research staffs, and more trading professionals than the Advisor has or expects to have in the future. In any given transaction, investment and trading activity by other firms will tend to narrow the spread between the price at which any investment may be purchased by a Client and the price it expects to receive upon consummation of the transaction.

*Other Traders and Systematic Strategies Could Adversely Affect a Client.* Numerous market participants actively trade the markets traded by a Client. Hedging counterparties do so in order to hedge their exposure under hedging contracts as well as possibly under other related instruments. A wide range of economic factors could increase the overall trading activity in the markets traded by a Client. Generally, the more active the trading in the markets included in a Client's account, the higher the transaction costs incurred by all market participants in such trading. Competition for the same or similar positions in these markets increases the cost of acquiring such positions, thereby reducing what would otherwise have been the value of a Client's portfolio, increasing the cost of hedging contracts and negatively impacting the net asset value of a Client's portfolio.

*Availability of Investment Opportunities.* There can be no assurance that the Advisor will be able to find suitable opportunities consistent with its investment approach. Market conditions may limit the availability of investment opportunities. Such limitations may cause delays in deploying a Client's capital and may negatively impact a Client's returns.

*Concentration.* The risk that the performance of a Client could be adversely affected by losses may be increased to the extent a Client's portfolio is concentrated in investments of any one issuer, industry, region or country. A Client may also have disproportionate exposure to certain types of investments. The Advisor has no specified diversification policies as to the percentage of a Client's assets that may be invested in any particular investments. A Client's portfolio may also consist of substantially fewer portfolio investments than anticipated if the Advisor is unable to identify or execute on appropriate opportunities.

*Diversification.* Since a Client's portfolio will not necessarily be widely diversified, the investment portfolio of a Client may be subject to more rapid changes in value than would be the case if a Client were required to maintain a wide diversification within its portfolio. This limited diversity could expose a Client to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in a Client's investments.

*Leverage.* Subject to applicable margin and other limitations, the Advisor, on behalf of a Client may arrange with banks, broker-dealers, and others to borrow funds to make additional investments and thereby increase both the possibility of gain and risk of loss. The use of leverage allows a Client to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage also magnifies the volatility of changes in the value of a Client's portfolio. The effect of the use of leverage by a Client in a market that moves adversely to its investments could result in substantial losses to a Client, which would be greater than if a Client were not leveraged. Accordingly, a Client may pledge securities in order to effect short sales, utilize short sale proceeds or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure a Client's margin accounts decline in value, a Client could be subject to a "margin call," pursuant to which a Client must either deposit additional funds or securities with the broker or suffer mandatory liquidation of all or a portion of the pledged securities to compensate for the decline in value. The banks and dealers that provide leverage to a Client have discretion to change a Client's margin requirements at any time. Changes by counterparties in the foregoing may result in large margin calls, loss of leverage and forced liquidations of positions at disadvantageous prices. There can be no assurance that a Client will be able to secure or maintain adequate leverage to pursue its investment strategy. The utilization of short sale proceeds for leverage will cause a Client to be subject to higher transaction fees and other costs.

## **Certain Strategy-Related Risks**

*Options.* Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of a Client's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a declining asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. If a Client's strategy is found principally on the use of options, risks associated with options are magnified for a Client.

*Lack of Volatility.* Certain options-based strategies may perform better in volatile markets. Accordingly, "calm" markets – in which the "risk premiums" associated with equity securities declines – may result in underperformance. Extended periods of low overall market volatility have persisted in recent years.

*Derivatives.* In general, a derivative instrument typically involves leverage, i.e., it provides exposure to potential gain or loss from a change in the level of the market price of the underlying security, currency or commodity (or a basket or index) in a notional amount that exceeds the amount of cash or assets required to establish or maintain the derivative instrument. Adverse changes in the value or level of the underlying asset or index, which a Client may not directly own, can result in a loss to a Client substantially greater than the amount invested in the derivative itself. The use of derivative instruments also exposes a Client to additional risks and transaction costs. These instruments come in many varieties and have a wide range of potential risks and rewards, and may include, futures contracts, forwards and swaps. A risk of a Client's use of derivatives is that the fluctuations in their values may not correlate perfectly with the overall securities markets. Additionally, to the extent a Client is required to segregate or "set aside" (often referred to as "**asset segregation**") liquid assets or otherwise cover open positions with respect to certain derivative instruments, a Client may be required to sell portfolio instruments to meet these asset segregation requirements. There is a possibility that segregation involving a large percentage of a Client's assets could impede portfolio management or the Advisor's ability to meet redemption requests or other current obligations.

*Equity.* Equity securities are subject to greater fluctuations in market value than other asset classes as a result of such factors as a company's business performance, investor perceptions, stock market trends and general economic conditions. The rights of equity holders are subordinate to all other claims on a company's assets including debt holders. The value of equity securities could decline if the financial condition of the companies declines or if overall market and economic conditions deteriorate. Equity investments risk a loss of all or a substantial portion of the investment. Investments are expected to be tied closely to equity securities through options and related investments or direct holdings.

*Short Sales.* A Client may enter into transactions, known as "short sales." As short selling can result in profits when the prices of the securities sold short decline, A Client's investments may increase in value in a declining market. In a generally rising market, however, a Client's short positions may be more likely to result in losses because the environment may be more conducive for the securities sold short to increase in value. A short sale involves the theoretically unlimited risk of an increase in the market price of the securities sold short.

*Counterparties.* The Advisor may enter into various types of derivative contracts. These derivative contracts may be privately negotiated in the over-the-counter market. These contracts also involve exposure to credit risk, since contract performance depends in part on the financial condition of the counterparty. If a privately negotiated over-the-counter contract calls for payments by a Client, a Client must be prepared to make such payments when due. In addition, if counterparty's creditworthiness declines, a Client may not receive payments owed under the contract, or such payments may be delayed under such circumstances and the value of agreements with such counterparty can be expected to decline, potentially resulting in losses to a Client.

*Credit Risk.* Credit risk refers to the possibility that the issuer of a security or the issuer of the reference asset of a derivative instrument will not be able to make principal and interest payments when due. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness may also affect the value of a Client's investment in that issuer. Securities rated in the four highest categories by the rating agencies are considered investment grade but they may also have some speculative characteristics. Investment grade ratings do not guarantee that bonds will not lose value.

*Forward and Futures Contract.* The successful use of forward and futures contracts draws upon the Advisor's skill and experience with respect to such instruments and are subject to special risk considerations. The primary risks associated with the use of forward and futures contracts, which may adversely affect a Client's NAV and total return, are (a) the imperfect correlation between the change in market value of the instruments held by a Client and the price of the forward or futures contract; (b) possible lack of a liquid secondary market for a forward or futures contract and the resulting inability to close a forward or futures contract when desired; (c) losses caused by unanticipated market movements, which are potentially unlimited; (d) the Advisor's inability to predict correctly the direction of securities prices, interest rates, currency exchange rates and other economic factors; (e) the possibility that the counterparty will default in the performance of its obligations; and (f) if a Client has insufficient cash, it may have to sell securities from its portfolio to meet daily variation margin requirements, and a Client may have to sell securities at a time when it may be disadvantageous to do so.

*Debt and Other Income Securities.* A Client may invest in fixed-income and adjustable rate securities. Income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. In general, the values of fixed income securities increase when prevailing interest rates fall and decrease when interest rates rise. Because of the resetting of interest rates, adjustable rate securities are less likely than nonadjustable rate securities of comparable quality and maturity to increase or decrease significantly in value when market interest rates fall or rise, respectively. Market risk relates to the changes in the risk or perceived risk of an issuer, country or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of income securities may be affected by changes in the credit rating or financial condition of the issuing entities. Income securities denominated in non-U.S. currencies are also subject to the risk of a decline in the value of the denominating currency relative to the U.S. dollar.

The debt securities in which a Client may invest are not required to satisfy any minimum credit rating standard and may include instruments that are considered to be of relatively poor standing and have predominantly speculative characteristics with respect to capacity to pay interest and repay principal. A Client may invest in bonds rated lower than investment grade, which may be considered speculative. A Client may also invest a substantial portion of its assets in high-risk instruments that are low rated, unrated or in default.

*Investment in Other Investment Companies.* As with other investments, investments in other investment companies, including exchange traded funds ("**ETFs**"), are subject to market and manager risk. In addition, if a Client acquires shares of investment companies, shareholders bear both their proportionate share of expenses, (including management and advisory fees) and, indirectly, the expenses of the investment companies. A Client may invest in money market mutual funds. An investment in a money market mutual fund is not insured or guaranteed by a Federal Deposit Insurance Corporation or any other government agency. Although such funds currently seek to preserve the value of a Client's investment at \$1.00 per share, it is possible to lose money by investing in a money market mutual fund. Moreover, recent rule amendments adopted by the SEC will require certain money market mutual funds to implement floating NAVs in the future that will not preserve the value of a Client's investment at \$1.00 per share. The implementation of these rule amendments may impact a Client's use of these money market mutual funds for capital preservation purposes.

***Momentum Style.*** Investing in or having exposure to securities with positive momentum entails investing in securities that have had above-average recent returns. These securities may be more volatile than a broad cross-section of securities. In addition, there may be periods during which the investment performance of a Client while using a momentum strategy may suffer.

***Swap Agreements.*** Swap agreements involve the risk that the party with whom a Client has entered into the swap will default on its obligation to pay a Client. Additionally, certain unexpected market events or significant adverse market movements could result in a Client not holding enough assets to be able to meet its obligations under the agreement. Such occurrences may negatively impact a Client's ability to implement its principal investment strategies and could result in losses to a Client.

***Portfolio Turnover Risk.*** A Client may sell its Fund Investments, regardless of the length of time that they have been held, if the Advisor determines that it would be in a Client's best interest to do so. It is anticipated that a Client will frequently adjust the size of its positions. These transactions will increase a Client's "portfolio turnover" and a Client may experience a high portfolio turnover rate. High turnover rates generally result in higher brokerage costs to a Client and in higher net taxable gain for shareholders and may reduce a Client's returns.

## **Fund and Advisor Risks**

***Investment Authority.*** Substantially all decisions with respect to the management of a Client are made exclusively by the Advisor. Clients have no right or power to take part in the management of a Client's account. Also, the General Partner has delegated all of the trading and investment decisions of a Client to the Advisor pursuant to the Investment Management Agreement.

***Valuation of Portfolio Securities and Other Assets.*** From time to time, special situations affecting the valuation of a Client's investments (such as limited liquidity, unavailability or unreliability of third-party pricing information and acts or omissions of service providers to a Client) could have an impact on the NAV of a Client, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed. A Client is not required to make retroactive adjustments to prior subscription or redemption transactions, management fees or performance allocations based on subsequent valuation data. In addition, a Client may, but is not required to, discount the value of its positions due to limited liquidity, concentration levels or for other reasons. Due to the nature of its investments, the Advisor may not be able to place a precise value on positions and therefore may need to estimate values in accordance with GAAP.

***Prime Brokers.*** A Client will rank as an unsecured creditor to each of its prime brokers and Custodians in relation to assets that each such third party borrows, lends, or otherwise uses and, in the event of the insolvency of a prime broker or Custodian, a Client might not be able to recover equivalent assets in full. In addition, if applicable law permits, cash that a prime broker or Custodian holds or receives on a Client's behalf may not be treated by the prime broker or Custodian (as applicable) as client money, may not be segregated from the prime broker's or Custodian's own cash and may be used by the prime broker or Custodian in the course of its investment business. In such event, a Client will rank as one of the general creditors of the prime broker or Custodian.

***Costs.*** A Client will incur obligations to pay brokerage commissions, option premiums, "bid-ask" spreads, and other transaction costs to their brokers. The foregoing expenses are payable by a Client and the Limited Partners regardless of whether a Client realizes any profits.



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## Item 9: Disciplinary Information

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Lavaca and its advisory personnel value the trust you place in us. As we advise all Clients, we encourage you to perform the requisite due diligence on any advisor or service in which you partner. Our backgrounds are on the Investment Advisor Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) for your review. To review the firm information contained in ADV Part 1, select the option for Investment Adviser Firm and enter **(167238)** in the field labeled "Firm IARD/CRD Number." This will provide access to Form ADV Parts 1 and 2. Item 11 of the ADV Parts 1 lists legal and disciplinary information.

As of the date of this Disclosure Brochure, Lavaca has no disciplinary information, either criminal or civil, to report.

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

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Lavaca is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, Patrick Smith (CRD#: 5819406), a Managing Director for Lavaca, is a registered representative of Sunbelt Securities, Inc. (CRD#: 42180) a registered broker-dealer that is not affiliated with Lavaca. No other employees of Lavaca are registered representatives of a broker-dealer.

Neither Lavaca nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Lavaca's Principals or affiliates may from time to time become members of and make capital contributions to the Fund(s). In the view of the Principals, this aligns the interests of the Principals and its affiliates with the Fund(s) and its investors and does not result in any conflicts of interest between Lavaca and the Fund(s). Additionally, the Principals are also bound by Lavaca's Code of Ethics as discussed in Item 11 below.

In addition to Lavaca's Clients, Certain Lavaca personnel engage in other investment advisory services outside of Lavaca. In these unrelated roles, Lavaca personnel may, from time to time, advise the unrelated clients to participate in the same investment(s) as that of the Adviser's Clients. When such recommendations for unrelated clients to invest in the same investments as the Adviser's Clients are made or considered, certain conflicts of interest may exist including divided fiduciary duties and an incentive for Lavaca personnel to recommend such investments to unrelated clients instead of Lavaca's Clients. To address these potential conflicts of interest, Lavaca has implemented a Code of Ethics as described in Item 11 which includes, among other things, a requirement that Lavaca personnel disclose to the Adviser's CCO any interest of unrelated clients to participate in the same securities or investments as that of Lavaca Clients.

Lavaca members, principals, officers and employees and its affiliates, including the General Partner, hold positions on the boards of directors of certain private and/or public companies for compensation, including companies in which certain Lavaca investors and/or clients own beneficial interests in. Any compensation received in connection with such board positions is retained by the individual and will not be credited to the Fund, the Limited Partners, or other Clients. In addition, in their capacity as officers or directors of companies, such individuals may become subject to fiduciary or other duties which can adversely affect Lavaca Clients. For example, Lavaca Clients may be unable to sell or otherwise dispose of portfolio securities if a director of the portfolio company is an employee of Lavaca or its affiliates and is in possession of material, non-public (i.e., "inside") information relating to the issuer. In general, if there is a conflict between the fiduciary duties of Lavaca or a member thereof to a portfolio company and such person's fiduciary duties to Lavaca's Clients, such person's fiduciary duties to the portfolio company will prevail.

The Adviser does not recommend or select other investment advisers for its Clients.

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

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### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

### **B. Recommendations Involving Material Financial Interests**

Advisor does not recommend that clients buy or sell any security in which a related person to Advisor or Advisor has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of Advisor may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of Advisor to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. To avoid any conflict of interest, Advisor will always document any transactions that could be construed as conflicts of interest.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of Advisor may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Advisor to buy or sell securities before or after recommending securities to clients resulting in representatives profiting from the recommendations they provide to clients. Such transactions may create a conflict of interest.

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## Item 12: Brokerage Practices

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### **A. Factors Used to Select Custodians and/or Broker/Dealers**

For Fund Clients, the Advisor has complete discretion to determine, subject to each Client's disclosed investment objectives, policies and strategies, the securities to be purchased or sold and in what amounts, the broker-dealers and other financial intermediaries use in effecting the transactions for Clients, and the commission rates to be paid for such transactions.

*Brokerage.* For Fund Clients, the Advisor selects the broker-dealers and other financial intermediaries used to effect transactions on behalf of the Funds. The Advisor seeks to obtain "best execution" from these broker-dealers based on a variety of factors. In selecting broker-dealers to effect portfolio transactions, the Advisor may cause a Fund to enter into arrangements pursuant to which the Fund pays transaction costs in an amount greater than would be incurred if another broker-dealer were used. The Advisor is not required to solicit competitive bids or seek the lowest available commission or transaction costs. The transactions executed by a Fund may be cleared through, and the Fund's investment instruments may be held by, a number of financial institutions the Advisor selects on terms negotiated with each such financial institution individually. Subject to the Adviser's agreement with each Fund, the Advisor generally will use a variety of financial institutions both to take advantage of differing expertise and capabilities and to avoid, due to credit concerns, having all investment instruments concentrated at one firm. The Advisor does not consider the receipt of Client referrals when selecting broker-dealers to execute transactions.

#### **1. Research and Other Soft-Dollar Benefits**

Advisor receives no research, product, or services other than execution from a broker-dealer or third-party in connection with client securities transactions ("soft dollar benefits").

#### **2. Brokerage for Client Referrals**

Advisor receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

#### **3. Clients Directing Which Broker/Dealer/Custodian to Use**

For non-Fund Clients, Advisor allows clients to direct brokerage. However, Advisor may recommend custodians. Advisor may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost client money because without the ability to direct brokerage Advisor may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisers allow their clients to direct brokerage.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

Advisor maintains the ability to block trade purchases across accounts. Block trading may benefit a large group of clients by providing Advisor the ability to purchase larger blocks resulting in smaller transaction costs to the client. Declining to block trade can cause more expensive trades for clients.

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## Item 13: Review of Accounts

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### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are monitored on a regular and continuous basis by the investment team.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

In addition to the investment monitoring noted in Item 13.A, reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance). A Client has the right to request a review of his/her account at any time and the Client should notify Lavaca if changes occur in his/her personal financial situation that might adversely affect his/her investment plan.

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come directly from the custodian. Client brokerage statements will include all positions, transactions and fees relating to the Client's account(s). The Client may also establish electronic access to the custodian's website so that the Client may view these reports and their account activity. The Advisor also provides Clients with periodic reports regarding their holdings, allocations, and performance.

The Advisor provides Fund investors with audited annual financial statements, periodic reports and other communications, and all tax information relating to their investments in the Fund necessary for U.S. federal income tax purposes.

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## Item 14: Client Referrals and Other Compensation

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**A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

Advisor does not accept or receive any economic benefit, directly or indirectly from any third party for advice rendered to Advisor clients.

**B. Compensation to Non-Advisory Personnel for Client Referrals**

Lavaca Capital, LLC has entered into a Solicitation Agreement with third-party Solicitors, where the Solicitor refers prospective clients to Lavaca Capital in exchange for compensation that is paid by Lavaca Capital to the Solicitor. The Solicitation Agreement is in writing and complies with the requirements of Rule 206(4)-3 of the Advisers Act. Solicitors introduce prospective clients to Lavaca Capital, provide prospective clients with information and materials about Lavaca Capital, and answer questions.

In soliciting clients on behalf of Lavaca Capital, Solicitors are independent contractors, and not employees of Lavaca Capital. Although the specific terms of each agreement may differ, generally, Lavaca Capital will pay a Solicitor Fee based on the percentage of revenue referred to Lavaca Capital from Solicitors. Lavaca Capital is obligated to pay the Solicitor Fee for as long as the client account remains under the management of Lavaca Capital, since the Solicitor Fee is a portion of the fee the client otherwise would pay to Lavaca Capital. Lavaca Capital's payment of the Solicitor Fee to the Solicitor will be paid from Lavaca Capital's management fee and does not result in the client paying any additional fees.

If the prospective client is introduced to Lavaca Capital by the Solicitor, the Solicitor provides the client with a copy of Lavaca Capital's firm brochure and the Solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation.

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## Item 15: Custody

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### Separate Accounts

Advisor, with client written authority, has limited custody of client's assets through direct fee deduction of Advisor's fees only. If the client chooses to be billed directly, Advisor would have constructive custody over that account and must have written authorization from the client to do so. These fee deductions are reflected in the periodic statements the custodian sends our clients directly. Clients will receive all account statements from their custodian and they should carefully review those statements for accuracy.

### Fund

The Advisor is deemed, under Rule 206(4)-2 of the Advisers Act, to have custody of the assets of the Fund by virtue of the common control of the Adviser and the General Partner of the Fund. All assets and securities of the Fund are held by qualified custodians. As noted in Item 13 above, Fund investors receive annual financial statements audited by an independent public accounting firm. Fund investors are urged to carefully review these statements.

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## **Item 16: Investment Discretion**

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For those client accounts where Advisor provides ongoing supervision, the client has given Advisor written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides Advisor discretionary authority in the Investment Advisory Contract and in the contract between the client and the custodian.



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## **Item 17: Voting Client Securities (Proxy Voting)**

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It is Advisor's policy not to accept proxy's voting authority with respect to Client securities holdings. Consequently, all proxy solicitations related to securities managed by Advisor will generally be sent directly to the Clients for voting. However, Advisor will accept voting authority for Client's securities if requested by the Client.

If Advisor receives any proxy voting materials related to a Client's account, other than duplicate copies sent to Advisor for informational purposes only, Advisor will take reasonable steps to forward such materials to the Client promptly.

On rare occasions and only at the Client's request, Advisor may be asked to offer advice or vote proxies regarding Client securities. In such cases, Advisor may offer advice however Advisor is not authorized or obligated to vote proxies for securities held in the account.

Advisor will disclose its proxy voting policy in the Form ADV 2A which is provided to Client's initially and offered on an annual basis.

In the event that Advisor decides to vote proxies, Advisor will obtain written authorization from each Client and provide them with a copy of its proxy voting policy and procedures. If a proxy vote creates a material conflict between the interests of the Advisor and a Client, the Advisor will resolve the conflict before voting the proxies. The Advisor will take steps designed to ensure that a decision to vote the proxy was based on the Advisor's determination of the Client's best interest and was not the product of the conflict.

The Advisor maintains records of (i) all proxy votes that are made on behalf of its Clients; (ii) all written requests from each Client's underlying investors regarding voting history; and (iii) all responses (written and oral) to investors' requests. Such records are available to each Client's underlying investors upon request.

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

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Neither Lavaca, nor its management has any adverse financial situations that would reasonably impair the ability of Lavaca to meet all obligations to its Clients. Neither Lavaca, nor any of its advisory persons, has been subject to a bankruptcy or financial compromise. Lavaca is not required to deliver a balance sheet along with this Brochure as the firm does not collect advance fees for services to be performed six months or more in advance.