

**Item 1 – Cover Page**



**Welch Capital Partners, LLC**

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**March 28, 2024**

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

This Brochure provides information about the qualifications and business practices of Welch Capital Partners, LLC. If you have any questions about the contents of this Brochure, please contact us at (212) 754-6077 or [cwelch@welchcapital.com](mailto:cwelch@welchcapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Welch Capital Partners, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

This Item 2 summarizes all material changes made to this Brochure since Welch Capital Partners' most recent annual updating amendment filing, dated March 31, 2023.

Since Welch Capital Partners' most recent annual updating amendment filing, dated March 31, 2023, the Firm moved from 231 Berkeley Place, Brooklyn, NY 11217 to 500 Mamaroneck Avenue, Suite 320, Harrison, NY 10528.

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this Brochure and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as deemed necessary. We will further provide you with a new Brochure as necessary, at any time, without charge.

Currently, our Brochure may be requested by contacting Christopher W. Welch, President, Chief Compliance Officer, and Senior Portfolio Manager at (212) 754-6077 or [cwelch@welchcapital.com](mailto:cwelch@welchcapital.com). Our Brochure is also available on our web site, [www.welchcapital.com](http://www.welchcapital.com), also free of charge.

Additional information about Welch Capital Partners, LLC is also available via the SEC's web site: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Welch Capital Partners, LLC who are registered, or are required to be registered, as investment adviser representatives of Welch Capital Partners, LLC.

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#### **Item 4 – Advisory Business**

Welch Capital Partners, LLC (“WCP” or the “Firm”), formed in 1996, emphasizes providing long-term after-tax wealth creation through the buying of a portfolio of equity securities and sourcing venture capital and private equity fund managers. The Firm's investment style is to seek undervalued growth. WCP manages clients' assets through separately managed accounts (“SMA”) or a long-short private limited partnership. In addition, WCP may provide advice to its clients regarding direct investments in third-party venture capital and/or private equity funds (“third-party private funds”).

Clients with SMAs can have their portfolios tailored for specific risk tolerances and/or sector weightings.

When WCP advises its client(s) on direct investments in a third-party private fund(s), either exclusively, or alongside their SMA, the client does so at their own discretion. WCP seeks out first-class, third-party private fund managers that are actively raising venture capital or private equity funds. When WCP deems a fund investment to be suitable for its client(s), it presents the fund investment to the client(s). The client(s) will ultimately decide, through consultation with WCP, whether to invest in the third-party private fund and the appropriate size of the investment.

The principals of WCP, and the individuals who determine general investment advice to be given to clients, are Leighton B. Welch and Christopher W. Welch.

Mr. Leighton B. Welch was born in 1961. He holds an A.B. from Harvard College (1983) and an M.B.A. from Harvard Business School (1989). From May 1991 to December 1994, he was a Research Analyst at Eagle Capital Management Corp., an investment advisory firm. From December 1994 until the commencement of the business of WCP, he was a Portfolio Manager at Eagle Capital Management Corp.

Mr. Christopher W. Welch was born in 1965. He holds an A.B. from Harvard College (1988) and an M.B.A. from Harvard Business School (1994). From July 1988 to June 1991, he was an Analyst at Smith Barney Harris Upham & Co. in the Investment Banking Division. From 1994 until joining WCP, he was a Portfolio Manager at Bankers Trust Company.

WCP provides investment advisory services to SMAs as well as Welch Entrepreneurial Fund, L.P. (the “Fund”), a limited partnership for which Welch Fund Management, LLC acts as general partner. Leighton B. Welch and Christopher W. Welch are the Managing Members of Welch Fund Management, LLC. WCP also advises its clients on direct investments in third-party private funds. The client makes the investment either directly from the client's SMA or from a source that is unaffiliated with WCP.

As of December 31, 2023, WCP had approximately \$585.9 million in assets under management, of which \$398.6 million were regulatory assets under management, managed

on a discretionary basis, and \$187.3 million were managed on a non-discretionary basis. Of the \$187.3 million managed on a non-discretionary basis, approximately \$33.7 million were attributable to the ten non-discretionary clients for whom WCP does not have regulatory assets under management, as reported in Item 5.C.(1) of Form ADV Part 1 and approximately \$153.6 million (of assets not constituting regulatory assets under management) were attributable to clients that have an existing discretionary account(s) with WCP.

## **Item 5 – Fees and Compensation**

WCP offers advisory services either on an asset-based fee basis and/or a performance fee basis as follows:

The Performance Fee Allocation is based on the performance of an account over each 12-month period at a rate equal to 20% of the account's increase in net assets over that period, subject to a “high water mark” provision that requires WCP to recoup any prior losses in the account prior to receiving any additional performance fees. Performance compensation is subject to the requirements of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Adviser’s Act”), and is described in detail in the investment advisory agreement for the relevant separately managed accounts or the Confidential Private Placement Memorandum for the relevant private fund.

The Performance Fee Payable in Arrears is based on the performance of a managed account invested in one or more mature third-party private funds, and/or related securities, at a rate equal to 10% of the Net Dollar Distributions of the Mature funds, and/or related securities. Net Dollar Distributions are defined as aggregate capital distributions, less aggregate capital contributions, net of management fees paid and the Hurdle. The Hurdle is defined as the aggregate dollars generated if the Capital Remaining at Work was invested in the 1-year U.S. Treasury, calculated on a daily basis. Capital Remaining at Work is defined as capital contributions less any capital distributions (i.e., the net amount of capital remaining in the fund that has yet to be distributed back to the investor). The performance fee will be calculated and paid on an annual basis, in arrears, capturing all activity that occurred in the Mature funds during the most recent 12-month period. For the purpose of calculating incentive fees of third-party private funds, a fund is considered Mature if it meets one or more of the following criteria: (i) the fund has reached the end of its original term as defined in the limited partnership agreement; or (ii) the fund has invested at least 80% of the capital commitment and distributed back to investors at least 100% of the capital commitment. Related securities consist of individual public securities that are (or were) an investment made by one or more of the third-party private fund(s), or an idea generated by way of discussions with one or more of the third-party fund manager(s), and transacted in by WCP in order to hedge an underlying exposure and/or create additional gain(s) for the investor.

The Asset-Based Fee Payable in Advance is payable at the beginning of each calendar quarter or other dates on which an account is opened, or assets are added to an account at

a rate no greater than 0.375% of total assets (approximately 1.50% per annum). If the calculation period begins other than as of the first day of a calendar quarter or the advisory agreement is terminated on a date other than the end of a calendar quarter, the client is entitled to a pro-rata adjustment of the management fee for the portion of the quarter for which WCP did not provide advisory services and unearned fees are refunded to the client.

For SMA clients with discretionary accounts, WCP charges the asset-based fee in advance on the account's total assets as of the last business day of the previous calendar quarter. For SMA clients that also choose to invest in one or more third-party private fund(s), WCP charges the asset-based fee in advance based on the Net Asset Value ("NAV") of the third-party private fund investment(s) as of the last business day of the previous calendar quarter (as reported by the general partner of the third-party private fund(s)). WCP may charge its clients on an individual third-party private fund basis or the aggregate value of all investments in third-party private funds of which WCP acts as adviser. The client will direct payment of fees to WCP from their separately managed account or from sources that are unaffiliated with WCP.

The Asset-Based Fee Payable in Arrears is payable on the first business day of the following calendar quarter at a rate no greater than 0.375% of total assets as of the last business day of previous calendar quarter (approximately 1.50% per annum). If WCP managed the relevant account for less than an entire calendar quarter, the management fee will be prorated accordingly.

For clients that are only invested in one or more third-party private fund(s) ("non-discretionary clients"), WCP charges an asset-based fee in arrears at a rate no greater than 1.00% per annum. The fee is calculated and billed on a semi-annual basis based on (i) the larger of investment commitment size or most recently reported NAV of the client's investment in the third-party private fund (as reported by the general partner of the third-party private fund), through the investment period of the third-party private fund (as defined in the fund's limited partnership agreement); or (ii) the most recently reported NAV of the client's investment in the third-party private fund, following the conclusion of the investment period. WCP may charge its clients on an individual third-party private fund basis or the aggregate value of all investments in third-party private funds of which WCP acts as adviser. The client will direct payment of fees to WCP from their separately managed account or from sources that are unaffiliated with WCP.

Fees may be negotiable in certain cases for larger, separately managed account clients or seed investors for a pooled investment vehicle. Client cash and cash equivalent assets swept into money market funds at their custodial bank may be assessed a management fee as an expense by that particular money market fund. Additionally, investments in mutual funds or exchange-traded funds may be assessed fees as noted below. In those instances, the client will be paying two advisory fees, one to WCP and one to the money market fund.

Investment advisory agreements for separately managed accounts are generally terminable by the client on 30 calendar days' written notice to WCP, by WCP on five days'

written notice to the client, or at any time by mutual consent. For separately managed accounts, the client will direct payment of management fees to WCP from the account or from sources that are unaffiliated with WCP at the client's election.

WCP's compensation is exclusive of brokerage commissions, transaction fees and other related costs and expenses. Clients may incur certain charges imposed by custodians, brokers, third-party investment managers and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in the relevant fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to WCP's compensation, and WCP shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that WCP considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

In some cases, WCP has entered into performance fee allocation arrangements with qualified clients. Such fees are subject to individualized negotiation with each such client. WCP will structure any performance or incentive fee allocation arrangement subject to Section 205(a)(1) of the Adviser's Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based compensation, WCP includes realized and unrealized capital gains and losses.

Performance-based compensation arrangements create an incentive for WCP to recommend investments which may be riskier or more speculative than those which would be recommended under a different compensation arrangement. Such arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. WCP has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

### **Item 7 – Types of Clients**

WCP provides portfolio management services and, more broadly, investment advice to individuals (including, without limitation, trusts, estates, and 401(k) plans and IRAs of individuals), high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, private investment funds, trust programs, and other U.S. and international institutions.

WCP only allows suitable investors to invest in the Fund. The Fund's governing and subscription documents provide the eligibility criteria and minimum investment requirements as well as provide specificity on the different share classes, if applicable, offered by the Fund. The underlying investors in the Fund, while not considered Clients of the Firm under the Investment Adviser's Act of 1940, as amended, are persons that are both parties that qualify to invest in a 3(c)1 fund as an "accredited investor" within the meaning of the Securities Act of 1933, as amended, and those parties that qualify to invest in a 3(c)7 fund as "qualified purchasers" as defined in Section 2(a)(51)(a) of the Investment Company Act of 1940, as amended, and certain "knowledgeable employees".

WCP provides investment advice to clients, specifically on direct investments in third-party private funds. WCP advises both its separately managed account clients, and other non-discretionary clients, on such investments deemed suitable by WCP. While the client makes the ultimate decision on the investment's suitability within their broader portfolio, upon the client's subscription, WCP receives supervisory authority of the client's investment and is the primary point of contact between the client and the third-party private fund.

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

### Investment Strategy:

WCP believes that most successful public equity investments are made when a longer-term perspective is taken. The majority of WCP's commitments will be made with a multi-year holding period in mind. As a portfolio manager, WCP sees its role as that of an accumulator of shares of businesses that offer above average returns over a three to five-year period as opposed to focusing on short-term strategies. From time to time, however, sharp short-term price fluctuation may dictate sales and purchases in order to realize profits or reduce losses. Options may also be used for a portion of an equity portfolio to hedge risk or protect profits and reduce volatility without creating a capital gain.

Furthermore, WCP, through its proprietary network of industry contacts, sources venture capital and private equity fund managers with the goal of generating additional alpha above public market benchmarks over the life of the investment. WCP focuses primarily on sectors where the firm has analytical expertise coupled with deep and longstanding relationships with investment professionals in those sectors. WCP utilizes rigorous fundamental, bottom-up research methods to understand the quality of the management team, including their investment process and ability to create sustained above market returns.

### Methods of Analysis:

WCP's equity analysis and selection process is centered on in-depth fundamental research. WCP will also use index and sector exchange-traded funds to maintain equity market exposure in lieu of individual stock positions in periods when it believes that additional individual positions will not outperform the general market indices. It is WCP's opinion



that the equity markets are not always “efficient” and that undervalued securities, both absolutely and relative to the general stock market, can be uncovered by diligent and focused research. Companies will be carefully scrutinized from a balance sheet, cash flow and future earnings perspective in order to ferret out company shares which appear to be inappropriately valued by the general investing public.

WCP focuses on market leading, undervalued growth companies, seeking to buy above-average growth at an attractive relative price. Keeping the portfolio multiple in line with that of the market while demanding a higher growth rate results in a favorable risk-reward tradeoff. Technical analysis offers a secondary complement in filtering potential investment candidates.

In WCP’s private market advice activities, WCP actively screens its venture capital, private equity, and industry contacts to uncover the best management teams that can generate long-term capital appreciation. WCP’s investment professionals have developed these proprietary relationships over their respective careers and these contacts provide unique insights in evaluating and identifying potential investment opportunities and managers. When honing in on investments, WCP seeks experienced management teams with an auditable record of prior success, whether at existing or new firms. As all of WCP’s alternative investments are made with multi-year holding periods in mind, substantial due diligence upfront to find the right partners is imperative.

WCP views each investment as a separate P&L and manages it accordingly, hedging out individual security risk when possible. WCP analyzes each investment as it fits into a client’s broader portfolio and set of risks (e.g., macro, sector, balance sheet, and liquidity).

#### Risk Factors:

All investments in securities and other financial instruments, including third-party private funds, involve substantial risk of volatility (potentially resulting in rapid declines in market prices and significant losses) arising from any number of factors that are beyond the control of WCP, such as: changing market sentiment; changes in industrial conditions, competition and technology; changes in inflation, exchange or interest rates; changing domestic or international economic or political conditions or events; changes in tax laws and governmental regulation; changes in trade, fiscal, monetary or exchange control programs or policies of governments or their agencies (including their central banks); and changes in counterparty risk. Changes such as these, as well as innumerable other factors, are often unpredictable and unforeseeable, rendering it difficult or impossible to predict or foresee future market movements. Unexpected volatility or illiquidity in the markets in which WCP makes investment decisions could impair its ability to achieve its clients’ objectives and cause its clients to incur losses.

The business of investing in securities is highly competitive and the identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. The success of any investment activity is influenced by general economic conditions that

may affect the level and volatility of equity prices, credit spreads, interest rates and the extent and timing of investor participation in the markets for both equity and interest-rate-sensitive securities. Unexpected volatility or illiquidity in the markets in which WCP directly or indirectly holds positions could impair WCP's ability to carry out its business and could cause its client(s) to incur losses.

WCP may use various hedging or other "risk-reduction" techniques in an attempt to minimize the risk of loss in portfolio positions. Such techniques may not always be available, and even when implemented may not always be effective in limiting losses. For example, the degree of correlation between an asset being hedged and the hedging instruments may vary from historical trends, resulting in less protection to the portfolio. Some hedging techniques limit the opportunity for gain with respect to the position being hedged. In addition, risk-reduction techniques impose additional trading costs. During particularly volatile market conditions, WCP may use risk-reduction techniques that provide no added protection, while possibly imposing significant transaction costs. Moreover, illiquidity or default on one side of a hedge can effectively result in the position being converted into one that is entirely speculative.

Different markets traded or individual positions held by WCP's clients may be highly correlated to one another at times. Accordingly, a significant change in one such market or position may affect other such markets or positions. Correlation may expose the Fund both to significant risk of loss and significant potential for profit.

Investments in third-party private funds, such as venture capital and private equity fund vehicles, involve a high degree of business and financial risk that can result in substantial losses. In order for any fund to succeed, it must be able to accurately identify potentially successful business enterprises, a process which is difficult even for those with extensive experience in the industry. An investment in a fund is highly speculative, involves a high degree of risk and could result in the loss of part or all of an investor's capital contribution. Therefore, investors should not subscribe to the fund unless they can bear such a loss. Moreover, there can be no assurance that any fund's investment objectives will be achieved, and investment results may vary materially from one reporting period to the next. Consequently, an investment in a fund, is suitable only for sophisticated investors with other substantial assets can make an informed independent decision as to the risks involved in an investment in a fund.

Although WCP believes that its investment program should mitigate the risk of loss through a careful selection and monitoring of investments, all investments are nevertheless subject to loss, including possible loss of the entire amount invested. No guarantee or representation is made that WCP will be successful, and investment results may vary substantially over time.

WCP cannot warrant or guarantee that its clients will achieve their stated investment objective or achieve positive or competitive total investment returns. Market, regulatory, and other factors, many of which cannot be anticipated or controlled by WCP, could result

in WCP not generating positive or competitive investment returns or in a client losing a portion or all of their principal amount.

Disease outbreaks that affect local economies or the global economy may materially and adversely impact WCP's clients, its investment fund(s) and/or its business. For example, uncertainties regarding the novel Coronavirus (COVID-19) outbreak resulted in serious economic disruptions across the globe. These types of outbreaks can be expected to cause severe decreases in core business activities such as manufacturing, purchasing, tourism, business conferences and workplace participation, among others. These disruptions lead to instability in the marketplace, including stock market losses and overall volatility, as occurred in connection with COVID-19. In the face of such instability, governments may take extreme and unpredictable measures to combat the spread of disease and mitigate the resulting market disruptions and losses. WCP has in place business continuity plans reasonably designed to ensure that it maintains normal business operations, and that its clients' assets are protected, and WCP periodically tests those plans. However, in the event of a pandemic or an outbreak, there can be no assurance that WCP or its service providers will be able to maintain normal business operations for an extended period of time or will not lose the services of key personnel on a temporary or long-term basis due to illness or other reasons. The full impacts of a pandemic or disease outbreaks are unknown, resulting in a high degree of uncertainty for potentially extended periods of time.

As mentioned above, investing in securities involves risk of loss that clients should be prepared to bear. WCP makes its best efforts to invest in stocks and provide advice to its clients regarding direct investments in third-party private funds, that will provide returns above our benchmarks; however, stock markets and equity prices are volatile and, therefore, portfolio values might display wide fluctuations. Depending upon market conditions, investment returns may vary widely, and investors may experience loss of principal on their investment. WCP works hard to find investments that have attractive risk/reward characteristics over the long-term, but portfolio returns cannot be guaranteed.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of WCP or the integrity of WCP's management. There is no disciplinary information that is material to a client's evaluation of WCP or the integrity of WCP's management.

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

Leighton B. Welch and Christopher W. Welch are the Managing Members of Welch Fund Management, LLC, which is the general partner of Welch Entrepreneurial Fund, L.P. Welch Entrepreneurial Fund, L.P. is a private investment partnership that utilizes the same philosophy and style as WCP's separately managed accounts but seeks to reduce risk by employing hedging techniques.

### **Item 11 – Code of Ethics**

WCP, as a registered investment adviser, has been entrusted with responsibility for providing advice to clients that depend upon WCP to act in their best interests and to maintain the highest ethical standards. Some clients may have special investment restrictions and agreements with WCP that direct and in certain cases limit the types, amounts and nature of investments which we recommend for their accounts. In addition, important legal and regulatory requirements govern and control WCP activities and particularly its activities as an investment adviser. WCP has a strict policy of complying with all applicable laws, rules, and regulations and with the highest ethical standards in its dealing with its clients and requires all of its employees to conduct themselves at all times in compliance with that policy. The firm's Code of Ethics and Compliance Procedures are intended to highlight certain of these policies. All employees are required to review it, be familiar with it, refer to it, and contact WCP's senior management for guidance whenever they have a question that they or any employee or agent of WCP may be involved in an activity which could have even the appearance of violating an ethical or compliance policy or subjecting WCP to any adverse publicity, criticism, or concern in this regard. The entire Code of Ethics will be furnished on request.

WCP and its employees are aware of the potential for conflict of interest in connection with the buying and selling of securities. Therefore, all employee purchases or sales are executed after transactions for clients are completed to protect the client's interest and position. WCP and its affiliates may invest for their own accounts in many of the same securities that are purchased or held for the majority of clients. Such accounts will receive an allocation that is equal to or less than the allocation to client accounts based on relative buying (or selling) interest during the same trading day.

#### **Trade Error Policy:**

In addition to the Code of Ethics summarized above, WCP has adopted a Trade Error Policy designed to ensure that no client account is damaged due to trading errors caused by WCP. In the event of a material trading error on the part of WCP that has a negative effect on one or more client accounts, WCP will, to the extent and in the manner allowed by law, make those client accounts whole (as if the trade error had not occurred). In the event of a trading error on the part of WCP that has a positive effect on one or more client accounts, WCP will not receive any monetary gain or credit from such involuntary gain.

### **Item 12 – Brokerage Practices**

WCP requires all accounts to give WCP full discretion to choose a broker and negotiate a level of brokerage fees based on the services provided to the clients.

WCP seeks best execution for all accounts when selecting a broker. WCP will draw upon its principals' knowledge of and experience with individual brokers and brokerage firms in making such selections. Factors considered in selecting a broker include expertise in particular areas, reputation, and fees. Other factors and services may have a bearing on

brokerage fee schedules and may justify different brokerage relationships. These include securities research, performance analysis, as well as personal relationships between the client, individual brokers, and the portfolio manager. In certain cases, a broker may be paid a commission in excess of another broker in recognition of the value of the brokerage or research services provided by the broker. Research services furnished by brokers through which WCP effects securities transactions may be used in servicing all of WCP's accounts and not all such services may be used by WCP in connection with the accounts which paid commissions to the broker providing such services. Client securities transactions are typically bunched together in an anonymous omnibus account in order to maintain confidentiality. Since bunching of orders allows WCP to trade larger blocks of shares in one trade it tends to generate a more favorable execution and pricing by the broker as well as keeping our commissions at the best rate under the circumstances.

WCP has soft-dollar arrangements with Bloomberg Tradebook, LLC in which the aforementioned brokerage companies execute trades in the same bunched process at the same low commission rates as other brokers. In return, WCP receives real-time stock quotes, charts and other research services from numerous vendors, examples include, but are not limited to, the following: Bloomberg and Interactive Data Corporation.

For those clients who are not "restricted persons" under either FINRA Rule 5130 or Rule 5131, WCP allocates any "new issue" securities where demand exceeds supply based on dollar value of securities available as a percentage of total assets in each account and based on the amount of cash in each account. However, WCP does not allocate each individual offering across all accounts. WCP does track all "new issue" offerings allocated over the life of each account and seeks to maintain each account's percentage of "new issue" allocations relative to its total assets at levels similar to all other accounts (including accounts in which officers of WCP participate). Given the fact that WCP does not allocate each "new issue" across all accounts and cash inflows and outflows may differ for each account, at any given time, the percentage of "new issues" relative to asset size may vary across accounts.

### **Item 13 – Review of Accounts**

Each client portfolio will be managed and reviewed by Leighton B. Welch and Christopher W. Welch. They will make all investment decisions pertaining to client accounts, including the decision to add or eliminate a particular investment, balance gains and losses for tax purposes, invest new cash contributions to a portfolio, or increase or decrease the level of hedging in the portfolio as market conditions dictate.

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

WCP does not accept compensation or compensate any non-supervised person for client referrals.

### **Item 15 – Custody**

While the Firm does not take physical custody of any client assets, affiliates of the Firm may be deemed to have custody pursuant to the Adviser's Act Rule 206(4) (the "Custody Rule") because of its relationship to the Fund as General Partner or Manager. The Firm itself may also be deemed to have custody of client assets due to broad contractual authority for account opening, cash management and fund expense payment granted by the Fund's Offering Documents.

Advisers Act Rule 206(4) requires that an investment adviser advising pooled investment vehicles that is deemed to have Custody pursuant to the Custody Rule undergo an annual GAAP financial statement audit or be subject to a surprise custody examination by a Public Company Accounting Oversight-registered accounting firm. The Firm or its affiliates enter into agreements with qualified custodians to maintain custody of the Funds' assets as required by the Custody Rule. These qualified custodians generally include banks, registered broker-dealers, and potentially certain foreign financial institutions.

In the case of separately managed account clients, the separately managed account client will choose its custodian and the Firm will not have custody of any such assets. In those instances, separately managed account clients will receive account statements directly from their custodian.

The Firm has elected to undergo an annual GAAP financial statement audit of its Fund, copies of which are delivered to each underlying Fund investor within 120 days of the end of each fiscal year, satisfying the requirements of the Custody Rule.

The Firm urges all underlying investors and separately managed account clients, to carefully review all statements received from the Firm, its administrator, and/or custodians.

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

WCP usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and number of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, WCP observes the investment policies, limitations and restrictions established by the relevant client. Investment guidelines and restrictions must be provided to WCP in writing.

WCP provides advice to certain of its clients regarding direct investments in third-party private funds, if suitable. For those assets invested in such funds, WCP does not have discretionary authority and, thus, the client must approve each individual fund investment

and execute an advisory agreement with WCP, authorizing WCP to supervise the client's investment(s).

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

WCP's proxy policy is designed to reflect the fiduciary duty to vote proxies in favor of investors' interests. In determining how to vote proxies on client securities, we will not subordinate the economic interest of any client to any other entity or interested party. The following guidelines will be used for each of the following four categories of issues:

#### **Routine Proposals**

Routine proposals are those which do not change the structure, bylaws, or operations of the corporation to the detriment of the shareholders. Given the routine nature of these proposals, proxies will nearly always be voted with management. Traditionally, these issues include:

- Approval of auditors
- Election of directors
- Indemnification provisions for directors
- Liability limitations of directors
- Name changes

#### **Non-Routine Proposals**

Issues in this category are more likely to affect the structure and operations of the corporation and therefore will have a greater impact on the value of a shareholder's investment. We will review each issue in this category on a case-by-case basis. As previously stated, voting decisions will be made based on the financial interest of the relevant clients. Non-routine matters include:

- Mergers and acquisitions
- Restructuring
- Re-incorporation
- Changes in capitalization
- Increase in number of directors
- Increase in preferred stock
- Increase in common stock
- Stock option plans

#### **Corporate Governance Proposals**

We will generally vote against any management proposal that demonstrably has the effect of restricting the ability of shareholders to realize the full potential value of their investment. Proposals in this category would include:

- Poison pills

- Golden parachutes
- Greenmail
- Supermajority voting
- Dual class voting
- Classified boards

### **Shareholder Proposals**

Proposals submitted by shareholders for vote usually include issues of corporate governance and other non-routine matters. We will review each issue on a case-by-case basis in order to determine the position that best represents the financial interest of the relevant clients. Shareholder matters include:

- Annual election of directors
- Anti-poison pill
- Anti-greenmail
- Confidential voting
- Cumulative voting

WCP will attempt to vote on each proxy in the best interests of the relevant client(s) after careful review of each proposal. WCP will utilize the analytical talent of the firm to determine the correct vote on a case-by-case basis in order to maximize the economic interests of our clients. WCP will abstain from voting on proxies where there is a conflict of interest due to board representation. WCP will maintain voting records on-site. Clients will be able to view the voting records on-site during normal business hours upon request. In addition, clients will be offered, in writing, the opportunity to receive a copy of Proxy Voting Policy on an annual basis.

WCP has designated Christopher W. Welch, a principal of the firm, and Mr. Alexander Basso, Chief Operating Officer, to oversee the implementation of the proxy policy.

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

WCP does not require or solicit the prepayment of more than \$1,200 in fees per client, six months or more in advance. Additionally, WCP has never been the subject of a bankruptcy petition and is not aware of any financial condition that could be reasonably expected to impair the Firm's ability to meet its contractual commitments to clients.