



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

VIEX Capital Advisors, LLC

745 Boylston Street, 3<sup>rd</sup> Floor, Boston, MA 02116

Phone Number: 212-752-5750

August 7, 2019

**This brochure provides information about the qualifications and business practices of VIEX Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at [InvestorRelations@viexcapiatal.com](mailto:InvestorRelations@viexcapiatal.com). The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about VIEX Capital Advisors, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Any reference to VIEX Capital Advisors, LLC as a “registered investment adviser” or as being “registered” does not imply a certain level of skill or training.**

**Item 2 - Material Changes**

VIEX Capital Advisors, LLC does not believe there have been any material changes to its Form ADV, Part 2A since March 26, 2019, the date of its most recent annual updating amendment. Nonetheless, clients are encouraged to read this document in its entirety.

**Item 3 - Table of Contents**

|  |    |
|--|----|
| Item 1 - Cover Page .....  | 1  |
| Item 2 - Material Changes .....  | 2  |
| Item 3 - Table of Contents.....  | 3  |
| Item 4 - Advisory Business .....   | 4  |
| Item 5 - Fees and Compensation .....   | 4  |
| Item 6 - Performance-Based Fees and Side-By-Side Management.....                                     | 5  |
| Item 7 - Types of Clients .....  | 6  |
| Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....                           | 6  |
| Item 9 - Disciplinary Information.....   | 13 |
| Item 10 - Other Financial Industry Activities and Affiliations.....                                  | 14 |
| Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..... | 14 |
| Item 12 - Brokerage Practices .....  | 15 |
| Item 13 - Review of Accounts.....  | 16 |
| Item 14 - Client Referrals and Other Compensation .....  | 17 |
| Item 15 - Custody .....  | 17 |
| Item 16 - Investment Discretion .....  | 18 |
| Item 17 - Voting Client Securities .....   | 18 |
| Item 18 - Financial Information .....  | 18 |
| Item 19 - Requirements for State-Registered Advisers .....   | 18 |

#### Item 4 - Advisory Business

VIEX Capital Advisors, LLC (“we,” “us,” or “our”) is a Delaware limited liability company that commenced operations in 2014. We are principally owned and controlled by Eric Singer, our founder and portfolio manager.

We currently advise the following private funds (collectively, the “Funds”):

- VIEX Opportunities Fund, LP - Series One (“Series One”), a series of VIEX Opportunities Fund, LP; and
- VIEX Opportunities Fund, LP – Series Two (“Series Two”), a series of VIEX Opportunities Fund, LP;
- VIEX Special Opportunities Fund II, LP (“VSOF II”); and
- VIEX Special Opportunities Fund III, LP (“VSOF III”).

VIEX GP, LLC (“Series GP”) is the general partner of Series One and Series Two. VIEX Special Opportunities GP II, LLC (“VSOF II GP”) is the general partner of VSOF II, and VIEX Special Opportunities GP III, LLC (“VSOF III GP,” and collectively with Series GP and VSOF II GP, the “General Partners”) is the general partner of VSOF III. Each General Partner is principally owned and controlled by Eric Singer.

We provide discretionary investment advice to the Funds. In the future, we may provide discretionary and/or non-discretionary investment advice to other private funds and/or separately managed accounts (collectively with the Funds, “clients”).

The Funds are managed in accordance with their own investment and trading objectives, as described in their respective offering documents and/or governing agreements.

We generally do not permit investors in the Funds to impose limitations on the investment activities described in the Funds’ offering and/or governing documents. Under certain circumstances, we may contract with a client to adhere to limited risk and/or operating guidelines imposed by the client. We would negotiate such arrangements on a case-by-case basis. (*See Item 16 “Investment Discretion.”*)

As of December 31, 2018, we managed \$168,066,669 in regulatory assets under management on a discretionary basis. We do not currently manage any assets on a non-discretionary basis.

#### Item 5 - Fees and Compensation

Our fees and compensation are described in the advisory contracts we enter into with our clients. All of our current clients and investors in the Funds are “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940.

We generally deduct our management fees quarterly in advance. Management fees are not refundable if the advisory contract is cancelled prior to the end of a payment period. Generally, we receive performance-based compensation from the Funds either on an annual basis in arrears or upon the distribution of capital. We also may receive performance-based compensation on a withdrawal by a Fund investor.

The Funds generally bear all of their respective organizational expenses and offering expenses, as well as their respective operating expenses including, but not limited to: fees, costs and expenses associated with financing, sourcing, acquiring, holding, hedging, and disposing of investments or proposed investments (including, without limitation, custodial fees, brokerage fees, commissions (see Item 12 “Brokerage Practices” below), consulting services, due diligence, and investment-related travel expenses, as well as fees, expenses, interest payments, and principal payments due to legal, financial, accounting, consulting, or other advisors, or lenders, investment banks, and other financing sources in connection with the financing, sourcing, acquiring, holding, hedging and disposing of investments; entity-level taxes, fees, or other governmental charges; the costs of insurance (including, without limitation, directors and officers insurance, if any); expenses incurred in the collection of monies owed; legal, auditing, consulting, research, and accounting fees and expenses (including, without limitation, expenses associated with the preparation of financial statements, tax returns, and Schedules K-1, if any, expenses associated with market and data services); extraordinary expenses (including, without limitation, litigation-related and indemnification expenses, including indemnification obligations); the costs of reporting to investors; reasonable expenses of meetings of investors, as applicable; and “broken-deal” or failed transaction expenses.

We bear all of our own operating costs and the ordinary administrative and overhead expenses of managing the Funds, including, without limitation, employee compensation and benefits, office rent, utilities, equipment, furniture, fixtures, secretarial/administrative services, stationery, entertainment expenses, and employee insurance and payroll taxes incurred by us and the General Partners.

Stride Capital Group LP (the “Seed Investor”), an investor that made a substantial seed investment in Series One (directly or indirectly through one or more of its affiliates) conducts a preponderance of our middle- and back-office services. The Seed Investor shares in a portion of the management fees and performance compensation that we and Series GP receive from Series One and Series Two, but is not paid any additional form of compensation for the aforementioned services.

To the extent we incur any expenses for the benefit of multiple clients, we generally will allocate such expenses in a reasonable manner among such clients.

We also allocate a portion of clients’ capital to money market funds or exchange-traded funds that are managed by other managers. In addition to the fees and expenses discussed above, a client will indirectly bear the fees and expenses of such money market funds or exchange traded funds, as these funds pay similar fees to their investment managers and other service providers.

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

We receive performance-based compensation from the Funds, which is based on a percentage of the capital appreciation of the Funds’ assets or the return on invested capital, typically subject to a high-water mark. Fund investors are provided with detailed disclosure in the applicable offering documents of such Fund as to how the relevant performance-based compensation is calculated and charged.

Since the amount of performance-based compensation that we are entitled to receive is dependent in part on the profitability of the applicable Fund, we have an incentive to cause a Fund to make investments that are riskier or more speculative than would be the case if such compensation were not dependent on the Fund’s net asset value and/or profitability. To mitigate this conflict, we will

follow our documented valuation policy and periodically consult with auditors and the third-party administrator to each Fund.

Additionally, we have a possible incentive to favor Funds that pay higher performance-based compensation. To avoid such conflicts of interest, we generally follow documented procedures in allocating opportunities among the Funds, which do not take into account the performance-based compensation to which the Funds are subject (*see below*). We recognize that we have a fiduciary duty and as such must act in the best interests of our clients.

Our related persons, including our principal, invest in one or more of our Funds. As a result, we may have an incentive to favor the client(s) in which such persons have a greater economic interest.

As the management fees and performance-based compensation are generally based directly on the net asset value and/or profitability of the applicable Funds, we have a conflict of interest in valuing the assets held in those Funds.

Participation in specific investments will be appropriate, at times, for more than one of our clients. In such cases, we will seek to allocate such investments between clients in a manner that we believe is fair and equitable under the circumstances existing at such time based upon a number of factors, including, but not limited to, the intended objective and strategy of each client and any applicable investment or risk restrictions or guidelines, including leverage constraints and position limits; legal, regulatory and tax considerations; our perception of the appropriate risk/reward ratio for each client, taking into account, among other things, market exposure, anticipated volatility and diversification; the overall portfolio composition of each client; the relative amounts of capital in each client available for new investments of the type at issue; the liquidity of each client; the desire to avoid *de minimis* allocations and odd lots; and such other considerations as we believe are relevant at such time.

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

Investors in the Funds are generally high net worth individuals and institutional investors that qualify as “accredited investors” (as defined in Rule 501 under the Securities Act of 1933, as amended) and “qualified purchasers.” The minimum investment in a Fund is generally \$3,000,000. However, the applicable General Partner may, in its discretion, accept lesser amounts. We would determine the minimum investment for other clients, including any separately managed accounts, on a case-by-case basis.

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

### **Investment Strategies**

The primary investment objective of the Funds is to achieve attractive risk-adjusted returns through opportunistic long-biased investments and activist engagements in companies and assets that may be underperforming and/or undervalued. In the case of Series Two, VSOF II and VSOF III, such investments are limited to a small number of companies. In addition, we may also strategically deploy VSOF II's and VSOF III's capital, including (subject to certain limitations), capital from disposition proceeds, in securities of such companies. A Fund's portfolio will be concentrated in the core investments, but may also maintain cash reserves to meet the Fund's short-term cash needs.

The development of an investment strategy for each of our clients is an ongoing process. The strategies, techniques and methods described above will therefore be modified by us from time to time and over time. There is no limitation on the investment strategies, techniques, methods or processes which we may adopt for any particular client or the factors that we may take into account in analyzing investments for our clients. Depending on conditions and trends in securities markets and the economy generally, we occasionally pursue other objectives, or employ other strategies, techniques, methods or processes, that we consider appropriate and in the best interest of the clients, without notice to them or their consent.

### **Certain Risks Associated with Investment Strategies**

An investment in each Fund involves substantial risks, and prospective investors should carefully consider, among other factors, the risks described below. These risk factors are not intended to be an exhaustive listing of all potential risks associated with such an investment.

The following risks primarily pertain to the Funds (and, if applicable, other clients (including separately managed accounts) with similar strategies). All of these risks, and other important risks, are described in detail in the Funds' respective private offering memorandums. Prospective investors are strongly urged to review the applicable private offering memorandum carefully and consult with their own financial, legal and tax advisors, before investing in a Fund.

### **Investing in securities involves risk of loss that clients and investors should be prepared to bear.**

*General Investment and Trading Risks.* All securities investments present a risk of loss of capital. Volatile financial markets increase that risk. If our evaluation of an investment opportunity should prove incorrect, a Fund could experience losses as a result of a decline in the market value of securities in which the Fund holds a long position or an increase in the value of securities in which the Fund holds a short position. Our investment program uses investment techniques such as short sales, which practices can involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which a Fund may be subject. The risk management techniques that may be used by us do not provide any assurance that the Funds will not be exposed to a risk of significant investment losses. No guarantee or representation is made that a Fund's investment program will be successful, that the Fund will achieve its targeted returns or that there will be any return of capital invested to investors. In addition, investment results may vary substantially over time.

*Risks Relating to Investment Strategy.* The success of a Fund's investment strategy may require, among other things: (i) that we properly identify companies (each a "Portfolio Company") the securities prices of which can be improved through our influence on, and involvement in, the operations of such Portfolio Companies or through other corporate and/or strategic actions; (ii) that the Fund acquire sufficient securities of such Portfolio Companies at a sufficiently attractive price; and (iii) that the market price of the Portfolio Company's securities increases in response to any actions taken by such Portfolio Company. There can be no assurance that any of the foregoing will succeed. Moreover, due to its investment strategy, a Fund, and consequently its investors, can potentially become subject to adverse publicity and litigation. There can be no assurance any such litigation, once begun, would be resolved in favor of the Funds.

Successful execution of an investment strategy will depend on the cooperation of security holders and others with an interest in the Portfolio Company. Some security holders may have interests which diverge significantly from those of the applicable Fund and some of those parties may be

indifferent to the proposed changes. Moreover, securities that we believe are fundamentally under-valued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame we anticipate, even if our strategy is successfully implemented. Even if the prices for a Portfolio Company's securities have increased, there is no assurance that the Funds will be able to realize any increase in the price of such securities.

*Directorships on Boards of Portfolio Companies.* From time to time, Eric Singer and other members and employees of us and our affiliates or designees (if applicable) serve as directors of, or in a similar capacity with, Portfolio Companies, the securities of which are purchased or sold on behalf of a Fund. In the event that material nonpublic information is obtained with respect to such companies or a Fund becomes subject to trading restrictions pursuant to the internal trading policies of such companies or as a result of applicable law or regulations, the Funds may be prohibited for a period of time from purchasing or selling the securities of such companies, which prohibition may have an adverse effect on the Funds.

*Investment Judgment.* The profitability of a significant portion of a Fund's investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that we will be able to predict these price movements accurately.

*General Economic Conditions.* Market risk is a factor in any investment, and recently, a high level of volatility in the financial markets has increased risk generally. Continued volatility could disrupt the investment strategy of a Fund, decrease the value of a Fund's portfolio, and adversely impact its profitability. Recent developments in the global financial markets illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty. In light of such recent market turmoil and the overall weakening of the financial services industry, the financial condition of a Fund, custodians/prime brokers, and other financial institutions may be adversely affected, and they may become subject to legal, regulatory, reputational, and other unforeseen risks that could have a material adverse effect on a Fund's business and operations.

The most difficult type of market environment for our strategy is expected to be a speculative environment, in which hype, promotional management teams and/or investor euphoria drive stock price movements instead of company fundamentals. This type of environment is of particular concern during short-covering driven rallies and/or for low-dollar short positions. The success of any investment activity is affected by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of investor participation in the markets for both equities and interest-sensitive securities. Unexpected volatility or illiquidity in the markets in which a Fund holds positions, directly or indirectly, could impair the Fund's ability to carry on its business or cause it to incur losses.

*Risks Posed by Additional Legislation and Increased Regulatory Oversight.* The Funds must comply with various legal requirements, including requirements imposed by the securities laws, tax laws, anti-money laundering laws and regulations, and pension laws in various jurisdictions. Should any of those laws change, the legal requirements to which the Funds and their investors are subject could differ materially from current requirements. In addition, investment funds and their investment advisers have come under attack from the media and some legislators in recent years. This has particularly been the case following the credit crisis and extreme economic downturn that began in 2008, notwithstanding general agreement among commentators that the funds and advisers had little to do with precipitating the credit crisis or its aftermath. As a result, multiple pieces of legislation have been



adopted. It is unknown when or whether any additional initiatives will be proposed or adopted into law, but any of them, if enacted, could add to the costs and regulatory burdens of operating the Funds.

*Availability of Suitable Investments.* The success of a Fund's investment and trading activities will depend on our ability to identify investment opportunities and to manage market exposure risk. Identification and exploitation of the investment strategies to be pursued by the Funds involve a high degree of uncertainty. No assurance can be given that we will be able to identify suitable investment opportunities in which to deploy all of the Funds' capital. A reduction in overall market volatility and liquidity, as well as other market factors, may reduce the pool of profitable investments for the Funds. Certain of the investment strategies employed by us for the Funds may be based on historical relationships among equity prices, exchange rates, interest rates, and bond prices. There can be no assurance that these historical relationships will continue and no representation made by us as to what results a Fund will or is likely to achieve based on these trends and relationships.

*Companies with Smaller Market Capitalizations.* The Funds will become exposed to companies with smaller market capitalizations. Investments in small cap issuers and medium sized companies may involve greater risks and volatility than investments in larger companies. Companies with smaller market capitalizations may be at an earlier stage of growth, with limited financial resources and less depth in management than more established companies. In addition, these companies may have difficulty withstanding competition from larger more established companies in their industries. The securities of companies with smaller market capitalizations may be thinly traded (and therefore have to be sold at a discount from current market prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts, and may be subject to wider price swings. As a result, investments in these companies may be at risk of a greater chance of loss than investments in the securities of larger capitalization companies. In addition, transaction costs in smaller capitalization stocks may be higher than those of larger capitalization companies.

*Securities of Sub-Investment Grade Companies.* Special risks may arise if a Fund invests in the securities of sub-investment grade and highly leveraged companies. Although such investments may result in significant returns to a Fund, they involve a substantial degree of risk. If the "natural leverage" created by a company's high level of borrowing should work against a Fund short position, the Fund's losses would be heightened. Although the Funds may not do so frequently, should a Fund purchase distressed and/or non-performing debt securities, and subsequent to purchasing them find that they are no longer readily traded by broker-dealers, these securities may not show any return for a considerable period of time. Many distressed and/or non-performing securities ordinarily remain unpaid while the company is in bankruptcy and may not ultimately be paid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. As a result, if they are no longer readily traded by broker-dealers, such securities may have to be held for an extended period of time. There is no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Fund invests, the Fund and, as a result, the Fund's investors, may lose its entire investment. Under such circumstances, the returns generated from the Fund's investments may not compensate the Fund's investors adequately for the risks assumed.

*Derivative Instruments.* The Funds create leverage via the use of instruments such as options and other derivative instruments. The value of a derivative depends largely upon price movements in the underlying asset; hence many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. In addition, there are a number of other risks associated with derivatives trading, such as increased exposure for the Funds, exposure to liquidity risks and counterparty risks. The Funds invest in options, which can provide a greater potential for profit or loss than an equivalent investment in the underlying asset and may involve different risks than investing in directly in the underlying asset.

*Risk of Global Investing.* Although the Funds expect to invest predominately in the United States, a Fund occasionally invest its assets in non-U.S. securities and other financial instruments denominated in non-U.S. currencies. Investments in securities of non-U.S. issuers and securities denominated in non-U.S. currencies pose currency exchange risks to the extent not hedged. In addition, foreign securities regulators may exercise less regulatory supervision than those in the U.S., and foreign governments may afford less legal protection to the Funds as an investor. In addition, investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies.

*Lack of Diversification Risk.* Series One may, and the other Funds will, hold a limited number of positions (both long and short) at any given time. As a result of a Fund's lack of diversification, a significant loss in any one position may have a material adverse effect on the net asset value of such Fund and such Fund's rate of return. Diversification of Fund assets among different industries is not a primary goal of the Funds. Further, a Fund's investment portfolio may become (and in the case of certain Funds, will likely be) concentrated in one industry, sector, strategy, country or geographic region, and such concentration of risk may increase the losses suffered by the Fund. A Fund could also become concentrated to a limited number or types of financial instruments, which could expose the Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments.

*Litigation Risk.* Distressed companies such as those in which a Fund may occasionally invest may be subject to litigation, including bankruptcy litigation, shareholder derivative suits, and creditor suits.

*Hedging.* A Fund will engage in a variety of hedging transactions. Hedges can be more difficult to implement than many other types of transactions, and the possibilities for errors may be greater than for other transactions.

*Short Sales.* Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

In addition, short sellers are subject to the risk of a “short squeeze.” A short squeeze is a situation in which the short seller is prematurely forced out of a short position. The lender of a security used to cover a short generally has the right to demand the return of the security that has been loaned at any time. If a lender were to demand the return of securities that a Fund had borrowed, the Fund would be required to replace the borrowed securities by borrowing identical securities from another lender. If the Fund were unable to replace the borrowed securities, it would be required to close out the short sale by buying identical securities in the market in order to make delivery. In such event, the Fund could incur significant losses if the securities sold short had increased in value.

As a Fund may use borrowed money as part of its strategy, the Fund also could be forced to close out a short sale prematurely as a result of an increase in margin requirements, coupled with an inability to provide the required additional margin on short notice.

In addition, overall declines in market prices have increased short-selling activity and consequently increased the demand for borrowed securities. At the same time, a decrease in the federal tax rate applicable to certain stock dividends, which decrease is inapplicable to comparable payments made to individuals whose stocks are on loan to short sellers when such dividends are paid, is expected to decrease the supply of securities available for borrowing by short sellers. This increase in demand coupled with a decrease in supply can be expected to increase the cost of employing short sale strategies.

*Leverage.* The Funds are generally permitted to borrow money. The use of leverage by a Fund can substantially increase the market exposure (and market risk) to which the Fund’s investment portfolio may be subject. Trading on leverage will result in interest charges or costs and, depending on the amount of leverage, such charges or costs could be substantial. The level of interest rates generally, and the rates at which the Funds can leverage in particular, can affect the operating results of the Funds. A Fund’s anticipated use of short-term margin borrowings results in certain additional risks to the Fund. For example, should the securities pledged to brokers to secure a Fund’s margin accounts decline in value, the Fund could be subject to a “margin call,” pursuant to which the Fund would be required either to deposit additional funds with the broker or to suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of a Fund’s assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

*Institutional Risks; Counterparty Risk.* Institutions will have custody of the assets of the Funds. Certain assets of the Funds will be exposed to the credit risk of the dealers, brokers and exchanges through which we deal, whether we engage in exchange-traded or off-exchange transactions. These firms and/or financial institutions, regardless of how large or well-capitalized, may encounter financial difficulties that impair the operating capabilities or the capital position of the Funds. If any broker-dealer or other financial institution holding a Fund’s assets were to become bankrupt or insolvent, it is possible that the Fund would be able to recover only a portion, or in certain circumstances, none of its assets held by such bankrupt or insolvent entity.

Brokers may trade with an exchange as principals on behalf of a Fund, in a “debtor-creditor” relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to all of the assets of a Fund (for example, the transactions that the broker has entered into on behalf of the Fund as principal as well as the margin payments that the Fund provides). In the event of such

broker's insolvency, the transactions into which the broker has entered as principal could default, and the Fund's assets could become part of the insolvent broker's estate, to the detriment of the Fund. A Fund's assets may be held in "street name," in which case, a default by the broker could cause the Fund's rights to be limited to that of an unsecured creditor.

To the extent that a Fund invests in swaps, derivative or synthetic instruments, or other over-the-counter transactions, including forward contracts, or, in certain circumstances, non-U.S. securities, the Fund may also take a credit risk with respect to the parties with whom it trades and may bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

*Convergence Risk/Relative Value Strategy Risk.* We may pursue relative value strategies on behalf of a Fund by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricing underlying a Fund's trading positions were to fail to converge toward, or were to diverge further from, relationships expected by us, the Fund may incur a loss.

*Price and Liquidity Fluctuations of Investments.* The market value of a Fund's investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets, developments or trends in the securities markets and the financial condition of the issuers of the securities in which the Fund invests. During periods of limited liquidity and higher price volatility, a Fund's ability to acquire or dispose of its investments at a price and time that the Fund deems advantageous may be impaired. As a result, in periods of rising market prices, a Fund may be unable to participate in price increases fully to the extent that it is unable to acquire the desired positions quickly; the Fund's inability to dispose fully and promptly of positions in declining markets will conversely cause its net asset value to decline as the value of unsold positions is marked to lower prices.

*Stock Market Volatility.* Stock markets are volatile and may decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Different parts of the market and different types of equity securities may react differently to these developments. For example, small cap stocks may react differently than large cap stocks. Issuer, political or economic developments may affect a single issuer, issuers within an industry, sector or geographic region, or the market as a whole.

*Suspensions of Trading.* Each exchange typically has the right to suspend or limit trading in all futures, securities and other instruments which it lists. Such a suspension would make it difficult for the Funds to liquidate positions at favorable prices and, accordingly, may expose the Funds to losses.

*Changes in Investment Strategy.* We have considerable discretion in choosing the securities that may be acquired and have the right to modify the investment strategy, selection criteria, or hedging techniques used by a Fund without the consent of the Fund's investors. Any of these new investment techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings, which could result in

unsuccessful investments and, ultimately, losses to the Fund. In addition, any new investment strategy or hedging technique developed may be more speculative than earlier techniques and may increase the risk of an investment in the Fund.

*Restricted and Illiquid Investments; Unregulated Transactions.* The Funds may invest in securities and other assets, that are subject to legal or other restrictions on transfer or for which no liquid market exists. Such investments are subject to the restrictions contained herein. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable and the Funds may not be able to sell them when they desire to do so or to realize what we perceive to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. In addition, in certain circumstances, governmental or regulatory approvals may be required to dispose of an investment. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. An investment in the Funds is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

Companies the securities of which are not publicly traded are not subject to the same disclosure and reporting requirements that are generally applicable to companies with publicly traded securities, and the trading of such non-publicly traded securities is not regulated by any governmental agency. Accordingly, the protections accorded by such regulation would not be available in making such investments.

*Operational and Information Security Risk from Cyberattacks.* We, the Funds and our respective service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cyberattacks affecting the Funds, the General Partners, us, the Funds' prime brokers, custodians, and other third-party service providers may adversely impact the Funds. For instance, cyberattacks may interfere with the processing of investor transactions, impact the ability to calculate a Fund's net asset value, cause the release of private investor information or other confidential information, impede trading, subject us, the Funds and our respective service providers to regulatory fines or financial losses, and cause reputational damage. Similar types of cybersecurity risks are also present for other market participants, which may have material adverse consequences for the Funds, and may cause the Funds' investments to lose value. We, the Funds and our respective service providers may incur additional costs relating to cybersecurity preparations, and such preparations, though taken in good faith, may be inadequate. Cyberattacks are viewed as an emerging risk and the scope of the risk and related mitigation techniques are not yet fully understood and are subject to continuing change.

## **Item 9 - Disciplinary Information**

There have been no legal or disciplinary events that would be material to a client's or a prospective client's evaluation of our advisory business or the integrity of our management.

**Item 10 - Other Financial Industry Activities and Affiliations**Certain Industry Relationships

We and the General Partners are principally owned and controlled by Eric Singer.

The Seed Investor is registered as an investment adviser with the SEC. More information about our relationship with the Seed Investor is contained in Items 5 and 13.

Management of Multiple Funds

The management of the Funds results in a potential conflict of interest when we and our related persons allocate time and investment opportunities among our clients. For example, our principal has a greater portion of his personal assets invested in certain of our client accounts than in others. In addition, the compensation earned by us and our related persons from each of the Funds is expected to differ. In light of the foregoing, we have a potential conflict of interest when we allocate opportunities among client accounts. To avoid such conflicts of interest we generally follow documented procedures in allocating opportunities among client accounts, which do not take into account the performance-based compensation to which such accounts are subject. (See *Item 6 – “Performance-Based Fees and Side-By-Side Management”* above.)

Subject to applicable law, we may effect transactions between certain of our clients in which a client will purchase securities from another client. Such transactions will be effected only when we believe that such transactions are in the best interest of the applicable clients.

We and our related persons may determine, in our discretion, to participate in investments with persons not affiliated with our clients. In addition, we may offer to certain clients, or to any third party, the opportunity to co-invest in opportunities in which a client has invested or that become available to a client. We may offer such opportunities to investors that we select in our discretion without notice to or the consent of any other client.

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

We have adopted a Code of Ethics, which is designed to ensure that we conduct our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, we recognize that we have a fiduciary duty to our clients, and that our employees must conduct their business on our behalf in a manner that enables us to fulfill this fiduciary duty. In this regard, we have developed policies and procedures in our Code of Ethics that are premised on fundamental principles of openness, integrity, honesty and trust. Among other things, our Code of Ethics: (i) governs all personal investment transactions by our employees, (ii) contains our policies with respect to gifts and entertainment, (iii) sets forth our policies and procedures regarding insider trading, and (iv) contains our policies with respect to certain outside activities of our employees. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Under our Code of Ethics, we place certain restrictions on the personal trading activities of our employees and their immediate family members, which, among other things, limit their ability to transact in securities that are expected to fall within the Funds' investable universe.

### Participation or Interest in Client Transactions

We will not effect any cross trades between client accounts if we believe that such trade would result in a principal transaction unless we have determined that the transaction is in the relevant clients' best interests and have obtained client consent in accordance with applicable law.

## **Item 12 - Brokerage Practices**

### Selection of Brokers

We choose the brokers, dealers and counterparties (each a "Broker" and collectively, "Brokers") for the Funds' securities transactions. We have an obligation to seek to obtain "best execution" for the Funds with respect to their trading activity. In selecting broker to effect portfolio transactions for the Funds, we consider factors, including the ability to achieve prompt and reliable executions; access to securities; the financial stability and reputation of the Broker; the quality, comprehensiveness, frequency of available research and related services considered to be of value to the Funds; and the competitiveness of commission rates compared to other Brokers satisfying our other selection criteria. Research and related services furnished by Brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services; and discussions with research personnel. The services furnished by a Broker may benefit us in rendering investment management services to all of our clients. A Fund may pay a Broker a commission in excess of that which another Broker might have charged for the same transaction, in recognition of the value of the overall brokerage or research services provided by the Broker. Since commission rates in the U.S. are negotiable, selecting Brokers on the basis of considerations that are not limited to commission rates may at times result in higher transaction costs than otherwise would be obtainable.

On a semi-annual basis, we evaluate the execution performance of the Brokers we use to execute client transactions. As part of this review, we evaluate, and seek to resolve, any conflicts of interest that we may have in selecting Brokers to execute client transactions.

### Research and Other Soft Dollar Benefits

We do not currently have any formal soft dollar arrangements and do not expect to enter into formal soft dollar arrangements in the future. We execute transactions on behalf of our clients with Brokers that provide us with access to proprietary research reports (such as standard investment research and credit reports). To the best of our knowledge, these services are generally made available to all institutional investors doing business with such Brokers. These bundled services are made available to us on an unsolicited basis and without regard to the rates of commissions charged or paid by client accounts or the volume of business that we direct to such Brokers.

### Services from Prime Brokers

Prime brokers servicing our clients provide us with front and back office services, including trading, securities lending, clearing, reporting, and settlement for fixed income, swaps, foreign currency and options, among others. Such prime brokers may also provide us with capital introduction, talent recruitment and other services. Our clients will pay fees to the prime brokers in accordance with the fee schedules negotiated with such prime brokers.

### Brokerage for Client Referrals

We may direct some client brokerage business to Brokers that refer prospective investors to the Funds, consistent with best execution. Because such referrals, if any, are likely to benefit us but will provide an insignificant (if any) benefit to clients, we will have a conflict of interest when allocating client brokerage business to a Broker that has referred investors to a Fund. To prevent client brokerage commissions from being used to pay investor referral fees, we will not allocate client brokerage business to a referring Broker unless we determine in good faith that the commissions payable to such Broker are not materially higher than those available from non-referring Brokers offering services of substantially equal value.

### Trade Error Policy

We will reimburse the applicable client account(s) for net losses that occur as a result of trade errors resulting from our gross negligence, bad faith, reckless or intentional misconduct, or fraud. We may correct misallocations of trades among client accounts by re-allocating the applicable trade using the intended allocation methodology prior to the settlement date. If an erroneous allocation cannot be corrected prior to settlement or during the same month in which it occurred, we may correct such erroneous allocation by effecting a cross trade between client accounts at the price at which the initial trade was effected.

### Aggregation of Orders

Aggregation, or “bunching,” describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities generally arise when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. To the extent that a security is purchased or sold for more than one Fund, we will generally aggregate orders for such security unless aggregation is not consistent with our duty to seek best execution and the terms of the investment guidelines and restrictions applicable to the Funds. To the extent an aggregated order is only partially filled, we will allocate the investment opportunity or partially filled order on a fair and equitable basis based on the criteria described in *Item 6* above. Each Fund that participates in an aggregated order will participate at the average price basis for all of our transactions in that security on a given business day, with transaction costs shared *pro rata* based on our participation in the transaction.

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

Client positions and investments are regularly reviewed by our portfolio manager for conformity with the objectives and risk criteria applicable to such clients and compliance with any applicable risk and/or operating guidelines.

Investors in the Funds generally receive monthly unaudited reports regarding the performance of the Fund(s) in which they invest. In addition, we distribute copies of each Fund’s audited financial statements at within 120 days after the end of its fiscal year end. We also distribute tax reports to investors in the Funds.

Pursuant to “side letters” or other agreements, we may provide particular investors with more frequent and/or more detailed information regarding a Fund’s positions, performance, finances, and management and/or other information about such Fund or us (including, notification of senior employee departures, the commencement of disciplinary actions, legal proceedings,



investigations or similar matters, or redemptions from the Funds by us and/or our personnel), possibly enabling such investors to better assess the prospects and performance of the Funds. As noted above, the Seed Investor conducts a preponderance of our middle- and back-office services. Accordingly, it will have more information about many of the aforementioned items than other investors.

In addition, we or the Funds may give certain investors, including those who are provided with enhanced transparency (as described above), the right to redeem their investment on shorter notice and/or with more frequency than the terms applicable to other investors. As a result, certain investors may be able to redeem their investment at times when other investors may not, and based on information that may not be available to all investors. Subject to the applicable law, we do not intend to disclose the terms of side letter agreements or other arrangements or the identities of the investors that have entered into such agreements.

From time to time, we provide certain additional information to an investor, or prospective investor, in a Fund who requests it. This information may be provided in response to questions and due diligence requests, but will not be distributed to other investors and prospective investors who do not request it. Such information may affect a prospective investor's decision to invest, and investors (which may include our personnel and affiliates) may be able to act on such additional information and redeem their investments potentially at higher values than other investors. Any such redemptions may result in reduced liquidity for other investors and, in order to meet larger or more frequent redemptions, the relevant Fund may need to maintain a greater amount of cash than it would otherwise maintain, which may reduce its overall performance. Each investor is responsible for asking such questions that it believes are necessary in order to make its own investment decisions, must decide for itself whether the limited information provided by us is sufficient for its needs.

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

Other than the circumstances described in the *Brokerage Practices* section above, we do not receive any economic benefits from non-clients in connection with the provision of investment advice to our clients.

We do not compensate any third-party marketers for introductions to potential investors or clients.

#### **Item 15 - Custody**

Client funds and securities are held in custody by qualified custodians. For purposes of Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the "Custody Rule"), we are deemed to have custody over the Funds' assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Funds or their respective investors as long as: (i) the Funds are audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Funds' audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) we deliver such annual audited financial statements to investors within 120 days after the end of each Fund's fiscal year.

**Item 16 - Investment Discretion**

We have discretionary authority to manage our clients' accounts. Fund investors generally may not place any limits on our authority beyond those set forth in the Funds' offering and governing documents. Under certain circumstances, we may contract with a client to adhere to limited risk and/or operating guidelines imposed by the client. We negotiate such arrangements on a case-by-case basis.

**Item 17 - Voting Client Securities**

We generally have voting discretion over securities held in our clients' accounts and clients are not able to direct their votes in a particular situation. We have adopted proxy voting policies and procedures, which are summarized below.

In the absence of specific voting guidelines from the client or conflicts of interest, we vote proxies in the best interests of each client, which may result in different voting results for proxies for the same issuer. In addition, we may determine to abstain from voting a proxy if we believe that such action is in the best interests of a particular client. We may take into account the following factors, among others, in determining if a specific proposal is in the best interests of a particular client: (i) management of the issuer's views and recommendations on such proposal, (ii) whether the proposal may have the effect of entrenching existing management and/or making management less responsive to shareholders' concerns (*e.g.*, instituting or removing a poison pill, classified board of directors and/or other anti-takeover measure), and (iii) whether we believe that the proposal will fairly compensate management for its and/or the issuer's performance. If we deem that the issue being voted upon is not material for us and our clients, we will not be obligated to vote on such matter.

Upon request by a client, we will disclose to such client how we voted proxies for securities owned by such client. We will also provide a copy of our proxy voting policies and procedures to clients upon request.

**Item 18 - Financial Information**

We are not required to include a balance sheet for our most recent fiscal year.

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

We are not a state-registered adviser.