

## **Item 1 – Cover Page**

**Potkul Capital Management, LLC.  
3633 Hill Rd. 3<sup>rd</sup> Flr.  
Parsippany, NJ 07054  
973-331-1000**

This brochure provides information about the qualifications and business practices of Potkul Capital Management LLC and its President James B. Potkul. If you have any questions about the contents of this brochure, please contact us at 973-331-1000 and/or [jpotkul@potkulcapital.com](mailto:jpotkul@potkulcapital.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. Additional information about Potkul Capital Management LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Potkul Capital Management LLC is a Registered Investment Adviser under the Investment Adviser's Act of 1940. Registration does not imply a certain level of skill or training.

## **Part 2A of Form ADV: Potkul Capital Management LLC**

### **Item 2 – Material Changes**

This Brochure dated 03/28/2012 is a new document prepared according to the SEC's new requirements and rules.

In the future, this item will discuss only specific material changes that are made to the brochure and provide clients with a summary of these changes. We will also reference the date of our last annual update of this brochure.

## Part 2A of Form ADV: Potkul Capital Management LLC

### 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 .....	5
Item 6 – Performance-Based Fees and Side by Side Management .....	6
Item 7 – Types of Clients .....	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss ... ..	6
Item 9 – Disciplinary Information .....	8
Item 10 – Other Financial Industry Activities and Affiliations .....	8
Item 11 – Code of Ethics .....	8
Item 12 – Brokerage Practices .....	9
Item 13 – Review of Accounts.....	10
Item 14 – Client Referrals and Other Compensation .....	10
Item 15 – Custody .....	10
Item 16 – Investment Discretion.....	10
Item 17 – Voting Client Securities .....	11
Item 18 – Financial Information .....	12
Item 19 – Requirements for State-Registered Advisers.....	12-13

Two supplements are shown below. The “Wrap Brochure” supplement is not applicable to PCM. The “Supplement” is required and include in this brochure.

- **Part 2A, Appendix 1: The “Wrap Brochure”** – Potkul Capital Management LLC does not sponsor a wrap fee program. Therefore, **Part 2A, Appendix 1** is not applicable to Potkul Capital Management LLC.

- **Part 2B: The “Supplement”** – Potkul Capital Management LLC has a “supervised person”. A “Supplement” with information about the “supervised person” is included on page 13 of this Brochure

## **Part 2A of Form ADV: Potkul Capital Management LLC**

### **Item 4 – Advisory Business**

Potkul Capital Management LLC (the “PCM”) was established January 1995. James B. Potkul is the principal owner of the firm.

PCM provides investment advisory services to the Bread & Butter Fund Inc. (the “Fund”) and to individual investors. The Adviser uses a Contrarian-Value investment approach to select securities. The Adviser manages portfolios primarily in small, medium and large capitalization equities as well as in fixed income bonds and ETF’s. The Client can choose from 4 categories of investment management.

- I. Contrarian Value Strategy – primarily focused on equity securities
- II. Contrarian Value Balanced Strategy- the portfolio is balanced between equities and fixed income securities
- III. Income – focuses on dividend and income producing securities
- IV. Custom Contrarian Value Strategy – focuses primarily on managing a portfolio to meet the clients individual goals, objectives and risk tolerances

Clients may impose restrictions on investing in certain securities or types of securities. It is the client’s responsibility to advise the Adviser of these restrictions as applicable.

In cases whereby the Adviser is managing the bulk of a client’s net worth, a custom portfolio will be managed to meet the individual clients’ goals and objectives. A process to uncover such goals and objectives will be achieved by a risk tolerance questionnaire and discussion with the client to arrive at an appropriate portfolio and risk parameters.

The following disclosure is specifically applicable to PCM's management of client's separate account:

- 1. Initial Consultation- at the opening of the account, PCM shall obtain information sufficient to determine the client's financial situation and investment objectives.
- 2. Individual Services - the client's account is managed on the basis of the client's individual situation; financial situation, risk tolerances and investment objective(s).
- 3. Annual Review - PCM encourages all clients to meet with us annually to review the investment progress of their account and to update their current financial situation.
- 4. Open Door Policy - the client shall be free to call anytime or at their convenience to speak with us.
- 5. Monthly Statements - the client shall receive monthly statements from TD Ameritrade as well as any transaction confirmations as they occur.
- 6. Ability to Impose Restrictions - the client shall have the ability to impose reasonable restrictions on the management of their account, including the ability to instruct PCM not to purchase certain securities.

7. No Pooling - the client's beneficial interest in a security represents a direct and beneficial interest in the securities which comprise the client's account.
8. Separate Account - a separate account is maintained in the client's name with the custodian.
9. Ownership - each client retains ownership of the account. (rights to withdraw funds or cash, exercise or delegate proxy voting if so desire)

Neither, PCM, nor its Associated Persons will receive any portion of the commissions and /or transaction fees charged by the broker dealer/custodian.

The client is advised that it remains their responsibility to promptly inform PCM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing/evaluating/revising PCM's previous investment direction and/or services.

A copy of the written disclosure statement for PCM, as set forth on Part II of Form ADV, shall be provided each client prior to, or at the time of the execution of the Investment Advisory Agreement.

The Adviser may issue quarterly update letters to clients, prospective clients, consultants and business and financial media. These newsletters address the Adviser's investment strategies, views of the current and historical market, and economic conditions. Letters may also discuss specific securities or industry sectors.

As of March 28, 2012, the Adviser managed \$7.7 million on a discretionary basis.

## **Item 5 – Fees and Compensation**

### **Bread & Butter Fund**

Under an Investment Advisory Contract with the Fund, PCM receives from the Fund monthly a fee equal to one-twelfth of 1.00 percent per month (the equivalent of 1% per annum) of the daily average net assets of the Fund during the month. The agreement will be for a term of one year and thereafter, only so long as such continuance is approved at least annually by votes of the Fund's Board of Directors cast in person at a meeting called for the purpose of voting on such approval, including votes of a majority of the Directors who are not parties to such agreement or interested persons of such party. This agreement may be terminated at any time upon 60 days prior written notice, without payment of any penalty, by the Fund's Board of Directors or by vote of a majority of outstanding voting securities of the Fund. The contract will automatically terminate in the event of assignment by the Investment Adviser (within the meaning of the Investment Company Act of 1940), which shall be deemed to include transfer of control of the Investment Adviser.

PCM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Fund. Fund shareholders may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as custodial fees, deferred sales charges, wire transfer and other fees and taxes. Such charges, fees and commissions are exclusive of and in addition to PCM's fee, and PCM shall not receive any portion of these commissions, fees, and costs.

### Individual Separate Accounts

Potkul Capital Management LLC offers Investment advisory services for a percentage of assets under management. Separate accounts are charged a fee at the end of each quarterly period ending (March, June, September, December). The fee may be debited directly from the clients account or paid directly by the client. Fees are negotiable. Normally PCM has a minimum account size of \$100,000 in assets, but exceptions are made and are open to further discussion. \*PCM , in its sole discretion, may charge a lesser management fee and/or reduce or waive the account minimum based upon certain criteria such as anticipated future earning capacity, additional future asset contributions hardship related accounts, account composition or negotiations with client).

Account Size	Annual Fee
\$ 100,000 - \$ 5,000,000	1.00%
\$ 5,000,000 - \$10,000,000	0.90%
\$10,000,000 +	0.80%
*Less than \$100,000	1.20%
Income Accounts	0.65%

The client can terminate the advisory contract at anytime in writing. The client is responsible to pay a fee only for the time (pro-rated) their account is managed. The Investment Advisory Agreement takes effect the date assets are deposited into the separate brokerage account.

Neither PCM nor the client may assign the Investment Advisory Contract without the prior written consent of the other party. Transactions that do not result in a change of actual control or management of PCM shall not be considered an assignment.

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

Potkul Capital Management LLC does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

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

The Adviser generally provides investment advice to individuals, investment companies, pension and profit sharing plans, trusts, estates or charitable organizations as well as corporations or business entities other than those listed above. The minimum account size is \$100,000. The Adviser has the ability to waive the minimum size requirement at the discretion of James B. Potkul, President of the Adviser.

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

PCM will adhere to a Contrarian/Value Investment Strategy which focuses on investing primarily in small, medium and large capitalization common stocks, both domestic and foreign, which are out of favor and undervalued. In addition, the Adviser can invest in undervalued securities across the capital structure in investment and below investment grade corporate and government bonds, preferred stock and REITS. The Adviser generally may invest in 20 to 40 securities with a maximum of 15% at the time of purchase in any one security. We believe that

the price you pay matters to your long term rate of return. We find the best values are found in securities that are out of favor due to negative sentiment and or controversy which clouds the future outlook of an industry or sector. Simply, the Contrarian Value Investment Strategy is a process with a set of checks and balances which focuses on the best values presented by the market and avoids the hot sectors or bubble stocks of the day.

The Contrarian Value Investment Strategy uses a quantitative and qualitative discipline to determine if a security is an undervalued and an attractive long term investment. The first part of the process is to seek out those investments that trade at a discount to the following characteristic(s):

- **Free cash-flow/cash-flow**
- **Book Value or replacement cost of assets**
- **Current as well as anticipated future levels of earnings**
- **Private Market Values/Franchise Value**

Then the undervalued securities are put through a qualitative four step process to determine the most attractive investments. The process includes:

1. **Complete Financial Statement Analysis/Financial Integrity** - an in-depth analysis of the financial statements.
2. **Industry Dynamics** - The Adviser will analyze the current competitive landscape and fundamentals within the Industry.
3. **Overall Management Strategy** - The Adviser searches for high quality management teams that make prudent operating and capital allocation decisions to grow the underlying value of the business.
4. **Analyst Sentiment** – usually neutral to negative at the time of purchase.

Once a position is acquired, constant research and monitoring follow throughout the holding period or until the security is liquidated. We will sell a security for the following reasons: the security becomes fair to overvalued, the initial assumptions regarding a security are invalid or inaccurate and we replace the security with a more attractive one.

#### **The principle risks of investing:**

By following the Contrarian Value Investment Strategy, you may lose money. The investment return and the principal value of your investment can fluctuate so that an investor's portfolio when redeemed may be worth more or less than their original cost.

**Market Risks:** U.S. or foreign stock markets may go down. Common stock prices can change rapidly and unpredictably as a result of political or economic events having little to nothing to do with the fundamentals of a specific security.

**Selection Risk:** The Adviser actively manages the portfolios using a Contrarian Value Investment style, so it may look and perform differently than the broad stock market indices. The securities selected by the Adviser may under-perform the major stock indices and other types of investment strategies at any point in time.

**Fixed Income Risk:** Fixed income securities will decline in value because of an increase in interest rates. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. The portfolio could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its

obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

**Foreign Risk:** Investing in foreign (non-U.S.) securities may result in the portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies, due to smaller markets, differing reporting, accounting and auditing standards, and nationalization, expropriation or confiscatory taxation, currency blockage, or political changes or diplomatic developments.

**Non-Diversification Risk:** The Adviser may invest in a limited number of securities which may have more risk because changes in the value of a single security may have a more significant negative effect on the value of the total portfolio.

**Temporary Defensive Position:** The Adviser may hold a higher than normal cash position due to a lack of undervalued investment ideas that meet the Contrarian/Value investment strategy and due to defensive measures taken by the Adviser to preserve capital in unusual market turmoil. This high cash position may prevent the Adviser from achieving its investment objective.

## **Item 9 Disciplinary Information**

Not applicable

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

James B. Potkul is President, Chief Investment Officer, Compliance Officer and principal owner of Potkul Capital Management LLC. Mr. Potkul also serves as the President, Chief Investment Officer, Portfolio Manager and Compliance Officer of the Bread & Butter Fund.

Bread & Butter Fund Inc. has an arrangement with Mutual Shareholder Services, LLC to provide administration, fund accounting and transfer agency services to the Bread & Butter Fund. PCM is the Investment Adviser to the Bread & Butter Fund, a mutual fund from which the Adviser receives a monthly management fee equal to 1% (annualized) of the average daily net assets of the mutual. PCM is required by agreement to pay all operating expenses of the Fund over 2%. PCM recommends and sometimes purchases this mutual fund for advisory clients. This practice may present a conflict of interest and gives the Adviser an incentive to recommend the investment product based on the compensation received rather than on the clients' needs. Advisory clients are informed of the conflict before the mutual fund is purchased for them. They are not charged advisory fees outside of the internal Fund fees on assets invested in the Bread & Butter Fund. Advisory clients have the option to purchase the Bread & Butter Fund direct through Mutual Shareholder Services LLC or through intermediaries such as Vanguard, E-Trade or other banking Institution trust departments and other brokers not affiliated with the Adviser.

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



Potkul Capital Management LLC has implemented an investment policy relative to personal securities transactions and firm activity. This investment policy is part of PCM's and Bread & Butter Fund's Code of Ethics which tend to overlap, serves to establish a standard of business conduct for all of the Access Person's that is based upon the fundamental principles of openness, honesty, integrity and trust. PCM's and Bread & Butter Fund's Code of Ethics sets forth standards of conduct and requires compliance with securities laws. Its policies and procedures include a Chief Compliance Officer overseeing personal investment activities of PCM personnel and the confidential treatment of Fund's investment non-public information. A copy of this Code of Ethics is available upon request.

Advisory employees may purchase securities that the Adviser recommends to its clients for their own accounts. To prevent possible conflicts of interest, the Adviser places the following restrictions on its advisory employees, board of directors and associated persons:

1. All advisory associates and board members are required to subscribe to and be bound by the PCM and Bread & Butter Fund Code of Ethics.
2. Advisory associates must seek prior approval before execution of personal securities transactions.
3. All employees are required to report personal securities transactions to compliance officer.

The Adviser does not act as principal (buying securities from or selling securities to any client or other person). The Adviser does not act as a broker or agent (effecting transactions for compensation for any client or other person). As discussed in the *Other Financial Industry Activities and Affiliations* section above, the Adviser may recommend shares of the Bread & Butter Fund (in which it has a financial interest) to clients. The Adviser may buy or sell for itself securities that it also recommends to clients. The Adviser may invest its idle cash in fixed income instruments, in order to earn income on cash.

## **Item 12 Brokerage Practices**

PCM does not select broker-dealer firms for its client, but can make recommendations. This selection for the Bread & Butter Fund is at the discretion of the Fund's Board of Directors. Currently the Fund utilizes Huntington National Bank (the "Huntington") for custody and TD Ameritrade for trading of its assets. There is no direct financial relationship between PCM and Huntington or TD Ameritrade.

For the Adviser's individual accounts the majority have used TD Ameritrade for its custody and trading services. In selecting or recommending a broker and custodian, the Adviser will base its recommendation upon a wide range of criteria including: the broker's execution capability, commission rates, financial condition and responsiveness, among other things.

PCM does not have any Research and Other Soft Dollar arrangements with broker dealers or custodians. Also PCM does not receive any client referrals or incentives from recommended broker dealer.

The Adviser will seek to provide fair and equitable treatment for each client in the selection of investments and allocation of investment opportunities among the Adviser's clients. The Adviser

will batch client orders where permissible to obtain best execution and may aggregate a client's orders with similar orders made for other clients if, in the Adviser's judgment, such aggregation is reasonably likely to result in an overall economic benefit to its clients. In instances where transactions cannot be effected simultaneously, a client may receive an average price based upon the total transaction executed.

### ***Directed Brokerage***

Upon written request, clients are permitted to direct brokerage to a specific broker-dealer. It must be noted that the Adviser may not be able to achieve best execution of client transactions in this case. Directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because the Adviser may not be able to negotiate lower commissions or aggregate orders to reduce transaction costs.

## **Item 13 Review of Accounts**

Potkul Capital Management LLC as the adviser to the Bread & Butter Fund meets with the Board of Directors quarterly to review the securities in the Fund and the economic outlook. The Adviser also produces the quarterly reports for SEC filing and shareholder letters. The shareholders of the Fund receive quarterly statements from Mutual Shareholder Services LLC.

Individual account holders are encouraged to meet with the adviser, James B. Potkul once a year to review risk profile, goals and objectives and account performance. Client accounts are reviewed regularly by the Adviser. The Adviser determines the appropriate portfolio actions to be taken for each Client's account, based upon the Client's investment objectives as well as current economic and market conditions. In addition, the Adviser will review, at least quarterly, the positions held in the Client's account. The Adviser looks at asset allocation, performance, and Client investment objectives. James B. Potkul, President, reviews all accounts. The Adviser relies on the custodian to furnish reports of transactions and holdings to advisory clients on a monthly basis. The Adviser provides reports to clients on a semi-annual basis, which will include the following: portfolio review, economic commentary, performance against the S&P 500 Index and management fees.

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

Potkul Capital Management LLC does not pay for referrals and does not receive any monetary compensation from any source other than from the Bread & Butter Fund.

## **Item 15 Custody**

Potkul Capital Management LLC does not have custody of client funds or securities.

## **Item 16 Investment Discretion**

James B. Potkul is President of PCM and President/Portfolio Manager of the Bread & Butter Fund. Mr. Potkul has discretionary authority from the Fund's Board of Directors to select the identity and amount 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 and methodology according to the Fund's prospectus. When selecting securities and determining amounts, James B. Potkul observes the investment policies, limitations and restrictions of the Fund for which it recommends securities.

Individual Account holders will sign forms giving James B. Potkul limited power of attorney to act on their behalf to implement security transactions. The Adviser is bound to manage the portfolio and security selection in a manner consistent with the clients chosen investment category and the risk parameters established at the most current review or meeting. If the client has placed restrictions on security types to exclude, the Adviser must adhere to these guidelines. It is the client's responsibility to inform the Adviser if their personal financial situation and their investment objectives have changed during the time between annual reviews and meetings.

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

The Board of Directors of the Fund has delegated responsibilities for decisions regarding proxy voting for securities held by the Fund to the Fund's Adviser. The individual account holders have given the Adviser the authority to vote on their behalf their proxy votes. The Adviser will vote such proxies in accordance with its proxy policies and procedures. In some instances, the Adviser may be asked to cast a proxy vote that presents a conflict between the interests of the Fund's shareholders and those of the Adviser or an affiliated person of the Adviser. In such a case, the Fund's policy requires that the Adviser abstain from making a voting decision and to forward all necessary proxy voting materials to the Board to enable the Board of Directors to make a voting decision. The Adviser shall make a written recommendation of the voting decision to the Board of Directors, which shall include: (i) an explanation of why it has a conflict of interest; (ii) the reasons for its recommendation; and (iii) an explanation of why the recommendation is consistent with the Adviser's (or sub-adviser's) proxy voting policies. The Board of Directors shall make the proxy voting decision that in its judgment, after reviewing the recommendation of the Adviser, is most consistent with the Adviser's proxy voting policies and in the best interest of Fund shareholders.

A summary of proxy voting policies:

1. Electing a Board of Directors- a board should be composed primarily of independent directors and key board committees should be entirely independent. The Adviser generally supports efforts for declassified boards or other measures that permit shareholders to remove a majority of directors at any time;
2. Approving Independent Auditors-the relationship between a company and its auditors should be limited primarily to the audit engagement.
3. Providing equity-based compensation plans-appropriately designed equity-based compensation plans, approved by shareholders, can be an effective way to align the interests of shareholders and the interests of directors, management and employees by providing incentives to increase shareholder value. Conversely, the Adviser is opposed to plans that substantially

dilute ownership interests in the company, provide participants with excessive awards, or have inherently objectionable structural features;

4. Corporate Voting Structure-shareholders should have voting power equal to their equity interest in the company and should be able to approve or reject changes to a company's by-laws by a simple majority vote. The Adviser opposes super-majority requirements and generally supports the ability of shareholders to cumulate their votes for the election of directors;

5. Shareholders rights plans-shareholders rights plans, also known as poison pills, may tend to entrench current management, which the Adviser generally considers to have a negative impact on shareholder value;

6. Other Investment Companies-When the Fund exercises voting rights, by proxy or otherwise, with respect to investment companies owned by the Fund, the Fund will either seek instruction from the Fund's shareholders with regards to the voting of all proxies and vote in accordance with such instructions, or vote the shares held by the Fund in the same proportion as the vote's of all other holders of such security

The Adviser may at times take on an activist role in order to affect change at a security holding in order to unlock shareholder value. The Fund or the Investment Adviser has No voting agreements or arrangements with any current public companies held by the Fund.

Clients may obtain the portfolio proxy voting record by calling up the Potkul Capital Mgt LLC or the Bread & Butter Fund directly at 973-331-1000 or 1-888-476-8585, or writing to 3633 Hill 3Rd. Flr. Parsippany, NJ 07054 or on the company's website at [www.breadandbutterfund.com](http://www.breadandbutterfund.com). Clients who have chosen to vote their own portfolio company proxies are responsible for their proxy votes.

## **Item 18 Financial Information**

Potkul Capital Management LLC does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

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

James B. Potkul

Born - 1963

Education:

Brown University 1986 BA, Economics and Organizational Behavior and Management

New York Institute of Finance

Held Series 7 and Series 63

Background:

Potkul Capital Management LLC - President/Chief Investment Officer 01/1995-Present

Bread & Butter Fund Inc - President/Chief Investment Officer, Chief Compliance Officer  
10/2005 - Present.

Potkul Capital Management LLC in addition to its Investment Advisory Service, acts as Investment Adviser to the Bread & Butter Fund Inc., a SEC registered investment company.

Additional Compensation: Mr. Potkul does not receive additional compensation from any person who is not a client.

Supervision: The Board of Directors of the Bread & Butter Fund monitor and review quarterly the investment advice provided by Mr. Potkul to the Fund (Lead Director: Donald J. McDermott Chairman of the Board).