

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

**Item 1 – Cover Page**



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Date of this brochure: March 22, 2011

This Brochure provides information about the qualifications and business practices of Balter Capital Management, LLC ("Balter Capital"). If you have any questions about the contents of this Brochure, please contact us at (617) 742-4226 or email us at [BCMinfo@baltercap.com](mailto:BCMinfo@baltercap.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 Balter Capital Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

This Brochure, dated March 22, 2011, is a new document prepared according to the Securities and Exchange Commission's ("SEC") new Part 2 of the Form ADV instructions and other new and/or revised SEC rules and regulations. As such, this is our first Brochure under these new rules and accordingly, we have no material changes from any previous Brochure.

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

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We also may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting Victor Chiang at (617) 742-4226.

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#### Item 4 – Advisory Business

Balter Capital serves as the investment adviser to the BCM Discovery Fund, L.P., a Delaware partnership (the “BCM Discovery Fund”), the BCM Discovery Offshore Fund, Ltd., a Cayman Islands exempted company (the “BCM Discovery Offshore Fund”), the BCM Credit Opportunities Fund, L.P., a Delaware partnership (the “BCM Credit Opportunities Fund”), and the BCM Credit Opportunities Offshore Fund, L.P., a Cayman Islands exempted partnership (the “BCM Credit Opportunities Offshore Fund,” together with the BCM Discovery Fund, the BCM Discovery Offshore Fund, and the BCM Credit Opportunities Fund, the “Funds”).

Balter Capital provides discretionary investment advisory services to investment vehicles organized as domestic and foreign private investment partnerships and/or companies. Discretionary investment advice means that Balter Capital is granted the authority to make investment decisions regarding where and how its client’s assets are invested within certain preset guidelines set forth within the investment advisory agreement by and between Balter Capital and its advisory clients. In providing such services, Balter Capital formulates its investment objective, directs and manages the investment and reinvestment of the assets of each investment vehicle and provides reports to clients.

This investment strategy is commonly referred to as a fund of hedge funds. Balter Capital seeks to provide investment vehicles with increased diversification through investment in complimentary investment vehicles. This is intended to reduce the amount of risk exposure that clients are subject to.

Balter Capital also provides discretionary advisory services to two (2) managed accounts (collectively, the “Managed Accounts.”) The assets of the Managed Accounts are invested pursuant to each individually negotiated investment advisory agreements.

Balter Capital also provides non-discretionary investment advisory services to fifteen (15) client accounts (collectively, the “Client Accounts.”) Non-discretionary means that Balter Capital makes investment recommendations to the clients, but the client maintains the authority and responsibility for acting on such recommendations. The assets of the Client Accounts are invested pursuant to each individually negotiated investment advisory agreements.

As of January 31, 2011, Balter Capital’s aggregate assets under management were follows:

Discretionary:	\$148,566,247
Nondiscretionary:	\$410,242,469
Other:	\$0.00
Total:	\$558,808,716

## Education and Business Background of Principals

Name: Bradley R. Balter

Title: Portfolio Manager, Managing Member

Born: 1970

Education: B.A. Williams College and Chartered Financial Analyst.

Description: Since March 2007, Bradley has served as the chief portfolio manager for Balter Capital. Prior to this (from May 2006 until March 2007) he served as the chief portfolio manager for the Cue Ball Group. In March 2007, Bradley completed a management buyout of the Cue Ball Group thereby forming Balter Capital. From 2005 through May 2006, Bradley was the Chief Executive Officer of Torque Partners. From 2001-2004, Bradley served as Managing Director for the Institutional Clients Group at Citigroup. Prior to this, Bradley was Senior Vice-President of Private Client Services at Paine Webber (1999-2001).

Name: Jay Warner

Title: Portfolio Manager, Director of Research

Born: 1975

Education: University of Massachusetts, Amherst, B.A. and Chartered Financial Analyst

Description: Jay has served as the Director of Research for Balter Capital since March, 2007. From May 2006 until March 2007 Jay served as the head analyst for the Cue Ball group. From 2005 through May 2006, Jay was the head analyst for Torque Partners. Prior to this, Jay was an Investment Analyst and member of the Investment Committee at The Segala Group, a New Canaan, CT based hedge fund (2000-2004).

Name: Victor Chiang

Title: Chief Operating Officer and Chief Compliance Officer

Born: 1972

Education: University of Massachusetts, Amherst, B.S.

Description: Victor has served as the Chief Operating Officer and Chief Compliance Officer for Balter Capital since March, 2007. From May 2006 through March 2007, Victor served as the Chief Technology Officer for the Cue Ball group. From December 2005 through March 2006, Victor served as the Chief Technology Officer for Torque Partners. From 1994 through 2005, Victor was at Accenture (NYSE: ACN), the global leader in information technology consulting. During his tenure at Accenture, he led major technology initiatives at Fortune 500 companies such as Fidelity Investments, American Express Financial Advisor, Barclays Capital, John Hancock and Royal Bank of Canada.

## Item 5 – Fees and Compensation

### Discretionary Fees

The specific manner Balter Capital is compensated for advisory services are established in each client's written agreement with Balter Capital. Balter Capital calculates a management fee on the first day of the each calendar month. Management fees are charged in advance on the first day of each calendar month by the respective Funds administrator. Management fees are pro-rated for each capital contribution and withdrawal based upon each client's actual period of ownership of its interest. Capital accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee. Upon termination of any capital account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable in accordance with the governing documents for the respective Fund. Management fees may be reduced or waived at the sole discretion of Balter Capital.

Balter Capital's fees are exclusive of transaction fees, and other related costs and expenses which are incurred directly by the Fund and therefore each investor in each respective Fund bears their pro-rata portion of such fees and expenses. Clients may incur certain additional charges imposed by custodians, brokers, 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. Such charges, fees and commissions are exclusive of and in addition to Balter Capital's management fee, and Balter Capital does not receive any portion of these commissions, fees, and costs.

### Non-discretionary fees

Balter Capital also provides non-discretionary investment advisory services to its Client Accounts. The assets of the Client Accounts are invested pursuant to each individually negotiated investment advisory agreements. While the specific fee schedules differ from one client to the next, Balter Capital charges non-discretionary clients an asset based management fee. The fee schedule is included in the Investment Advisory Agreement negotiated by and between Balter Capital and each client. The management fee is equal to an annual rate of the net asset values of each such Client Account and calculated quarterly, in arrears. Payment of the management fee is due within thirty (30) days of receipt by the client of the quarterly report and invoice.

Item 12 further describes the factors that Balter Capital considers in selecting or recommending investment vehicles for *client* transactions and determining the reasonableness of their compensation (*e.g.*, fees).

## **Management Fee Schedule**

Balter Capital serves as an investment advisor to the Funds and several Managed Accounts. Balter Capital has a slightly different negotiated fee schedule and compensation structure for each investment vehicle. In addition, each of the Funds is divided into two separate shares classes carrying different fee structures.

### **BCM Discovery Fund, L.P., a Delaware partnership (the “BCM Discovery Fund”)**

Balter Capital offers two share classes for the BCM Discovery Fund: Class A and Class B. In regards to the Class A shares, Balter Capital receives a fixed management fee equal to 1.5% of the net asset value attributable to the capital account of each limited partner. The fixed fee is calculated monthly as of the first day of each calendar month, and is payable in advance on the first day of each calendar month, or within a reasonable amount of time thereafter. Management fees will be prorated based upon a partner’s actual period of ownership of its interest. The Class B shares are not charged a Management Fee. Balter Capital reserves the right to reduce or waive Management Fees at its own discretion.

### **BCM Discovery Offshore Fund, Ltd., Cayman Island exempted company**

Balter Capital offers two share classes for the BCM Discovery Offshore Fund; Class A and Class B. In regards to the Class A shares, Balter Capital receives a fixed management fee equal to 1.5% of the net asset value attributable to the capital account of each limited partner. The fixed fee is calculated monthly as of the first day of each calendar month, and is payable in advance on the first day of each calendar month, or within a reasonable amount of time thereafter. Management fees will be prorated based upon a partner’s actual period of ownership of its interest. The Class B shares are not charged a Management Fee. Balter Capital reserves the right to reduce or waive Management Fees at its own discretion.

### **BCM Credit Opportunities Fund, L.P. , a Delaware limited partnership**

Balter Capital offers two share classes for the BCM Credit Opportunities Fund: Class A and Class B. In regards to the Class A shares, Balter Capital receives a fixed management fee equal to 1.0% of the net asset value attributable to the capital account of each limited partner. The fixed fee is calculated monthly as of the first day of each calendar month, and is payable in advance on the first day of each calendar month, or within a reasonable amount of time thereafter. Management fees will be prorated based upon a partner’s actual period of ownership of its interest. The Class B shares are not charged a Management Fee. Balter Capital reserves the right to reduce or waive Management Fees at its own discretion.

## **BCM Credit Opportunities Offshore Fund, L.P., a Cayman Islands exempted partnership**

Balter Capital offers two share classes for the BCM Credit Opportunities Offshore Fund: Class A and Class B. In regards to the Class A shares, Balter Capital receives a fixed management fee equal to 1.0% of the net asset value attributable to the capital account of each limited partner. The fixed fee is calculated monthly as of the first day of each calendar month, and is payable in advance on the first day of each calendar month, or within a reasonable amount of time thereafter. Management fees will be prorated based upon a partner's actual period of ownership of its interest. The Class B shares are not charged a Management Fee. Balter Capital reserves the right to reduce or waive Management Fees at its own discretion.

### **Managed Account Fees**

Managed Accounts are charged a negotiated fee pursuant to the terms of their particular investment advisory agreement. Balter Capital receives a fixed managed fee based on the net asset value of each Account charged quarterly, in arrears.

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

In certain cases, Balter Capital has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. Balter Capital structures any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act") in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Balter Capital includes realized and unrealized capital gains and losses. Performance-based fee arrangements may create an incentive for Balter Capital to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Balter Capital 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.

### **Performance-Based Fee Schedule**

#### **BCM Discovery Fund, L.P., Delaware partnership**

Balter Capital offers two share classes for the BCM Discovery Fund: Class A and Class B. Balter Capital does not receive a performance-based incentive allocation for the Class A shares. For the Class B shares, Balter Capital receives a performance-based annual incentive allocation equal to 15% of the new capital appreciation allocated to each client's capital account, payable at the end of the BCM Discovery Fund's fiscal year and subject to a high water mark. No minimum capital gain, other than the highest previous net asset value, is required prior to the



assessment of the performance fee. Losses incurred in prior periods which bring the net asset value below the previous high, must be recouped before capital appreciation can generate a performance fee, also known as the high water mark. For these Class B shares, Balter Capital does not receive a fixed management fee.

**BCM Discovery Offshore Fund, Ltd., Cayman Island exempted company**

Balter Capital offers two share classes for the BCM Discovery Offshore Fund: Class A and Class B. Balter Capital does not receive a performance-based incentive allocation for the Class A shares. For Class B shares, Balter Capital receives a performance-based annual incentive allocation equal to 15% of the new capital appreciation allocated to each client's capital account, payable at the end of the BCM Discovery Offshore Fund's fiscal year and subject to a high water mark. No minimum capital gain, other than the highest previous net asset value, is required prior to the assessment of the performance fee. Losses incurred in prior periods which bring the net asset value below the previous high, must be recouped before capital appreciation can generate a performance fee, also known as the high water mark. For these Class B shares, Balter Capital does not receive a fixed management fee.

**BCM Credit Opportunities Fund, L.P., a Delaware partnership**

Balter Capital offers two share classes for the BCM Credit Opportunities Fund: Class A and Class B. Balter Capital does not receive a performance-based incentive allocation for the Class A shares. For Class B shares, Balter Capital receives a performance-based annual incentive allocation equal to 15% of the new capital appreciation allocated to each client's capital account, payable at the end of the BCM Credit Opportunities Fund's fiscal year and subject to a high water mark. No minimum capital gain, other than the highest previous net asset value, is required prior to the assessment of the performance fee. Losses incurred in prior periods which bring the net asset value below the previous high, must be recouped before capital appreciation can generate a performance fee, also known as the high water mark. For these Class B shares, Balter Capital does not receive a fixed management fee.

**BCM Credit Opportunities Offshore Fund, L.P., a Cayman Islands exempted partnership**

Balter Capital offers two share classes for the BCM Credit Opportunities Offshore Fund: Class A and Class B. Balter Capital does not receive a performance-based incentive allocation for the Class A shares. For Class B shares, Balter Capital receives a performance-based annual incentive allocation equal to 15% of the new capital appreciation allocated to each client's capital account, payable at the end of the BCM Credit Opportunities Fund's fiscal year and subject to a high water mark. No minimum capital gain, other than the highest previous net asset value, is required prior to the assessment of the performance fee. Losses incurred in prior periods which bring the net asset value below the previous high, must be recouped before capital appreciation can generate a performance fee, also known as the high water mark. For these Class B shares, Balter Capital does not receive a fixed management fee.

## **Item 7 – Types of Clients**

Balter Capital serves as the general partner to the BCM Discovery Fund, the BCM Discovery Offshore Fund, and the BCM Credit Opportunities Fund. Additionally, Balter Capital serves as the managing member of BCM Investment Management, LLC which is the general partner to the BCM Credit Opportunities Offshore Fund, L.P. On a non-discretionary basis, Balter Capital serves as the investment advisor to one IRA, five limited liability companies, two limited partnerships, two non-profit organizations, two trusts and three high-net worth individuals. Balter Capital may also in the future provide investment advisory services to other partnerships, limited liability companies, limited duration companies, managed accounts and other such similar entities. Other than meeting necessary suitability standards, there is no limitation on the type of client that Balter Capital may accept as a client in one of the Funds and/or separately as managed account clients. Balter Capital's investment strategy may not be an appropriate strategy for all clients.

Balter Capital generally requires a minimum investment of \$25,000,000 for Managed Account clients. However, Balter Capital retains sole discretion to waive this requirement.

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

Balter Capital's investment strategies may not be appropriate strategies for all prospective clients. Prospective clients are cautioned of the risks involved in Balter Capital's investment strategies. Among other risks, clients must be prepared to lose all or substantially all of their investment.

### **BCM Discovery Fund and BCM Discovery Offshore Fund**

The BCM Discovery Fund and BCM Discovery Offshore Fund (together, the "Discovery Funds") were formed with the intention of achieving superior capital appreciation while managing volatility by pursuing a fund of funds investment strategy. It is Balter Capital's intention that most of the Discovery Funds capital be invested in "non-brand name" managers and managers that are "right-sized" in fund assets given their particular strategy they are employing. Balter Capital applies an agnostic approach to the length of a hedge funds' track record. As a result, Balter Capital will often invest earlier than other institutional allocators though the Discovery Funds are not a dedicated emerging manager vehicle. Balter Capital performs both qualitative and quantitative analyses in evaluating and selecting investment managers. The assets of each of the Discovery Funds are invested in private investment funds and separate accounts managed by selected investment managers.

Balter Capital's investment strategies of the hedge funds in which each of the Discovery Funds invest may include, but not be limited to, multiple cap ranges, sector specific, long/short equities, event driven/arbitrage, multi-strategy and credit and distressed debt. Balter Capital does not intend to invest the Discovery Funds' assets in hedge funds whose primary focus is

futures, commodities or currencies, or which have an international individual-country focus. The Discovery Funds may each make investments with up to 25 portfolio managers, although more or fewer portfolio managers may be utilized from time to time. It is expected that no more than 15% of each of the Discovery Funds' assets be invested in any one fund, measured at the time of investment.

In addition, as a secondary strategy the Discovery Funds may be opportunistically invested in seeding arrangements with a select number of emerging investment managers and their funds. Seeding arrangements may include, but are not limited to, features such as equity interests in an investment manager, a share of the revenue or profit of an investment manager, capacity rights in a private investment fund, reduced fees in connection with investment by the Discovery Funds or other rights or benefits (collectively, the "Seeding Arrangements"). Where it believes it is appropriate or necessary to do so, Balter Capital consults with and/or seek consent from its investors prior to entry into particular Seeding Arrangements, including so as to determine the allocation of any economic benefits from such Seeding Arrangement. Entry into certain of these types of Seeding Arrangements may, in Balter Capital's sole discretion, be facilitated through the creation of separate classes of the Discovery Funds which will be held by those investors who have decided to participate in such Seeding Arrangements.

Investment in the Discovery Funds is inherently speculative with a high degree of risk. Past performance of the Discovery Funds, Balter Capital, or their principals or any other collective investment vehicles managed by such persons is no guarantee of the future performance of the Discovery Funds or any such party. There is no assurance that the Discovery Funds will be profitable. The risks of an investment in the Discovery Funds include, but are not limited to, the efficacy of the Discovery Fund's strategies and the charges that the Discovery Funds will incur regardless of whether any profits are earned. The Discovery Funds may also be subject to certain conflicts of interest.

#### **BCM Credit Opportunities Fund and BCM Credit Opportunities Offshore Fund**

The BCM Credit Opportunities Fund and BCM Credit Opportunities Offshore Fund (together, the Credit Opportunities Funds") investment objectives are to achieve superior capital appreciation by pursuing a fund of hedge funds strategy. Balter Capital utilizes a multi-manager investment approach on behalf of the Credit Opportunities Funds with the objective of achieving superior capital appreciation while managing volatility by pursuing a fund of funds investment strategy. The investment program for the Credit Opportunities Funds includes (a) identification, evaluation and selection of portfolio managers with an emphasis on exposure to the credit markets; (b) identification of the risks, rewards and correlation within and between the portfolio manager's strategies based on qualitative benchmarks and quantitative measures; (c) monitoring and ongoing evaluation of operating practices, strategies, and performance of the portfolio managers; (d) analysis of economic and market environments and factors that might impact performance of any given portfolio manager; and (e) allocation and re-balancing of assets as deemed appropriate between the selected portfolio managers.

It is Balter Capital's intention to invest each of the Credit Opportunities Fund's assets in managers with primary focus on long/short credit based strategies. The Credit Opportunities Fund's assets are invested in private investment funds and separate accounts managed by selected investment managers. Balter Capital intends to leverage its network of contacts and use its proprietary tracking tool to identify potential managers. It will then follow structured portfolio construction methodology for manager selection and proportionally allocate capital to absolute return strategies with a composition which allows for low to moderate volatility. Balter Capital does not intend to invest the Credit Opportunities Fund's assets in funds whose primary focus is futures, commodities or currencies, or which have an international individual-country focus. Balter Capital anticipates that the Credit Opportunities Funds may make investments with a range of 5 to 15 portfolio managers, although more or fewer portfolio managers may be utilized from time to time. It is expected that no more than 20% of the Credit Opportunities Fund's assets will be invested in any one fund, measured at the time of investment.

Investment in the Credit Opportunities Funds is inherently speculative with a high degree of risk. Past performance of the Credit Opportunities Funds, Balter Capital, or their principals or any other collective investment vehicles managed by such persons is no guarantee of the future performance of the Credit Opportunities Funds or any such party. There is no assurance that the Credit Opportunities Funds will be profitable. The risks of an investment in the Credit Opportunities Funds include, but are not limited to, the efficacy of the Credit Opportunities Fund's strategies and the charges that the Credit Opportunities Funds will incur regardless of whether any profits are earned. The Credit Opportunities Funds may also subject to certain conflicts of interest.

#### **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 Balter Capital or the integrity of Balter Capital's management. No criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which Balter Capital or any of its principals has ever been convicted of, or pled guilty or nolo contendere to any felony, misdemeanor involving investments or an investment-related business, or conspiracy to commit any of these acts. Balter Capital has not been, nor have any of its principals been, (i) found to have caused an investment related business losing its authorization to do business, or (ii) found to have been involved in violation of an investment-related statute or regulation, with any administrative proceeding before the SEC, any other federal, state, or foreign financial regulatory authority, or self-regulatory organization.

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

Registered Investment Advisers are required to disclose all material facts regarding any other financial industry activities and affiliations that would be material to your evaluation of

Balter Capital. In 2010, Balter Capital provided expert witness analysis for Fiduciary Compliance in exchange for a small fee. Balter Capital's responsibility was to provide expert consulting support in proposed litigation against a publically traded company (the "Company") regarding possible violations of ERISA in connection with the investment of the assets of the Company's pension plans. Balter Capital's consulting services focus on providing general information related to hedge funds. Fiduciary Compliance Center indicated owned equity positions in the Company. The information provided by Balter Capital included: portfolio manager name, estimated AUM, fund's investment style, and any available fund presentation materials.

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

### Code of Ethics

Balter Capital has adopted a Code of Ethics ("Code of Ethics") in accordance with Rule 204A-1 of the Advisers Act. Balter Capital has a fiduciary duty to place the interests of its clients ahead of its own. Such fiduciary duty further requires that Balter Capital implements and enforces certain minimum standards of conduct that are applicable to all of its employees in order to protect the confidentiality of material non-public information held by Balter Capital and to govern such employees' personal securities trading activities. The purpose of the Code of Ethics is to establish guidelines and procedures that are reasonably designed to identify and prevent employees who may have knowledge of Balter Capital's investments (and investment intentions) from breaching their fiduciary duties to the Balter Capital's clients, and to address other situations that may pose a real or potential conflict of interest or the appearance of a real or potential conflict of interest. The Code of Ethics requires that all employees conduct themselves in accordance with high ethical standards, which should be premised on the concepts of integrity, honesty and trust, and in full compliance with all applicable federal and state laws and regulations concerning the securities industry. A copy of the Code of Ethics is available to clients upon request without charge.

### Personal Trading

Personal trading by employees of Balter Capital is governed by, tracked and enforced through its personal trading policy ("Personal Trading Policy") in accordance with the requirements set forth under the Advisers Act. Since Balter Capital's primary business is providing investment advice, the Advisers Act presumes that all officers, directors and partners are Access Persons (defined in the Advisers Act). Therefore, the Personal Trading Policy sets forth strict guidelines regarding personal trading activities to ensure all employees are in compliance with the legal requirements set forth in applicable legal federal and state securities laws as well as strict ethic standards.

Each employee must submit an initial holdings report, quarterly holdings report and annual holdings report disclosing its holdings to the Chief Compliance Officer of Balter Capital which includes the identities, amounts, and locations of all securities beneficially owned by

such employee as well as any accounts in which such employee has trading discretion. In addition, each employee must disclose similar transaction information within thirty (30) days after the end of each calendar quarter.

### Confidential Information

As an investment adviser, Balter Capital has a fiduciary duty to its clients not to divulge or misuse information obtained in connection with its services as an adviser. Therefore, all information, whether of a personal or business nature, that an employee obtains about a client's affairs in the course of employment with Balter Capital should be treated as confidential and used only to provide services to or otherwise to the benefit of the client. Such information may sometimes include information about non-clients, and that information should likewise be held in confidence. Even the fact that Balter Capital advises a particular client should ordinarily be treated as confidential. Balter Capital sets forth steps employees should take to help preserve confidential information including the following: avoiding inadvertent or accidental disclosure through careless conversation or describing details of a current or proposed trade, investment or transaction in a public place; employing physical safeguards, such as locking file cabinets and using password protected computer files or disks; and careful use of email. Additionally, Balter Capital has implemented a Data Security Program in accordance with MGL 201 CMR 17 regarding certain information held by Balter Capital. This Data Security Program sets forth Balter Capital's security policy for employees acting in their capacity as employees of Balter Capital as such positions relate to the storage, access and transportation of records containing personal information of Balter Capital's clients and employees.

### **Item 12 – Brokerage Practices**

In most cases, Balter Capital assumes general supervision over placement of securities orders for the client portfolios it manages. In certain cases, Balter Capital must obtain client approval of an investment decision before acting upon it. Balter Capital's primary investment strategy involves direct investment of client accounts in private investment funds and as such brokers are not used. Each underlying fund is responsible for selection of brokers to execute transaction conducted by such underlying fund, as well as determining the commission to be paid to such brokers. However, to the extent that Balter Capital uses a broker-dealer in a securities transaction being conducted on behalf of a client, Balter Capital will have the authority to determine the broker-dealer to be used and the commission rate to be paid, taking into consideration the best available combination of execution and overall price (which includes the cost of the transaction), always in accordance with best execution.

In certain instances for discretionary Managed Accounts, Balter Capital will recommend, but will not require, that the client use Charles Schwab as a brokerage due to Balter Capital's familiarity with the broker's web platform and services. Balter Capital has no financial benefit from Charles Schwab, does not receive any special research or services that are not offered to

any of Charles Schwab's retail clients, nor does it receive any special commission rate from Charles Schwab not offered to other retail clients.

### **Item 13 – Review of Accounts**

In regards to client accounts held in the Funds, Balter Capital completes periodic reviews to monitor investment holdings and the performance of each such account. Client Accounts and Managed Accounts are reviewed by Balter Capital to ensure goals and objectives are met on a quarterly basis. Quarterly reports are sent to each client detailing fees and performance of each such account. Additionally, account reviews will be completed at the specific request of the client. The Review Of Accounts are completed by Victor Chiang, the Chief Compliance Officer.

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

Balter Capital does not have any arrangements or receive any additional fees from any clients or prospective clients for referrals or other similar compensation.

### **Item 15 – Custody**

In accordance with the amendments to the Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), all of Balter Capital's client accounts are maintained by an independent qualified custodian. In addition, accounts are subject to annual surprise examinations by an independent public accountant to verify client assets.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Balter Capital urges clients to carefully review such statements and compare such official custodial records to the account statements that we may provide. Balter Capital's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

Balter Capital usually receives discretionary authority from the client at the outset of an Investment Advisory relationship 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 for the particular client account. When selecting investments and determining amounts, Balter Capital observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Balter Capital's authority may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of

investments once made. Investment guidelines and restrictions must be provided to Balter Capital in writing.

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

Generally, Balter Capital does not vote proxies on behalf of the Funds or the Managed Accounts because it does not invest directly in public securities but instead invests in underlying funds in which such underlying funds may vote proxies. To the extent that any underlying fund or does vote proxies, the Chief Compliance Officer will review the proxy voting policy of such underlying fund's manager to determine that adequate controls are in place. In the event Balter Capital does vote proxies for its clients, it will do so in the best interest of its clients.

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

Balter Capital does not require or solicit any substantial prepayment from its clients over six months in advance of service. Balter Capital 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.