



Waycross Partners, LLC

4965 U.S. Highway 42
Suite 2900
Louisville, KY 40222
Telephone: 502.410.1900
Facsimile: 502.410.1913

www.WaycrossPartners.com

Form ADV Part 2A-Firm Brochure

January 1, 2018

This brochure provides information about the qualifications and business practices of Waycross Partners, LLC. If you have questions about the contents of the brochure, please contact us at 502-410-1900 or waycross@waycrosspartners.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration does not imply a certain level of skill or training.

Additional information about Waycross Partners, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify clients and provide a description of the material changes.

Generally, Waycross Partners, LLC will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

The Brochure dated January 1, 2018 has been updated to replace the version from January 1, 2017. Material changes since the last update:

1. Waycross Partners has relocated our offices to 4965 U.S. Highway 42, Suite 2900, Louisville Kentucky 40222.
2. On December 31, 2017 Waycross Partners terminated a marketing agreement with Navian Capital, LLC, and as result, decided to repurchase all of Navian's minority ownership interest in Waycross Partners.
3. Emily A. O'Leary has been designated as the firm's Chief Compliance Officer.

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Item 4 **Advisory Business**

Waycross Partners, LLC (“Waycross” or “Firm”) is an investment management firm with its principal place of business in Louisville, Kentucky. The firm began operations in 2005. Benjamin H. Thomas is the Founder, Managing Member, and majority owner. Minority ownership is spread across three additional Members/Partners.

Waycross provides three distinct investment strategies to our clients, which are made up of institutional and high net worth (HNW) individuals. These strategies include the Waycross Long/Short Equity Strategy, the Waycross Long/Short Opportunity Strategy, and the Waycross Growth Strategy. In some cases, portfolios can be slightly altered to better fit our client’s needs. Clients typically access our strategies through separately managed accounts (SMAs), pooled investment vehicles (40 Act funds and limited partnerships) or third-party platforms (model portfolios).

The **Waycross Long/Short Equity Strategy** is available to clients through a limited partnership, third party platforms, and a 40 Act fund called the Navian Waycross Long/Short Equity Fund (Ticker: WAYEX). Ultimus Fund Solutions, LLC serves as administrator, transfer agent and accounting agent to the 40 Act fund while Ultimus Fund Distributors, LLC is the principal underwriter. The Strategy purchases equity and equity-like securities, as well as selling short equities and equity-like investments. Selling a security short involves borrowing a security you do not own and selling it. Collateral is posted and held until the transaction is reversed and the original security is repurchased and returned to the owner.

The Long/Short Equity Strategy seeks to produce strong risk-adjusted returns with lower volatility than the overall equity markets. The Strategy typically targets gross long exposure between 90-100% and gross short exposure between 40-60%. Net market exposure typically ranges from 40% to 60%.

The **Waycross Long/Short Opportunity Strategy** is currently only available to clients through a limited partnership. The Waycross Long/Short Opportunity Fund, LP seeks capital appreciation and to outperform broader equity markets with slightly less market volatility. The net market exposure for the Opportunity fund ranges from 0-100% but is typically in the range of 60-80%.

The Waycross Long/Short Opportunity Strategy uses equity and equity-like securities, options on individual stocks and other equity-like investments, as well as selling short equities and equity-like investments. The Strategy seeks to generate capital appreciation

while controlling the downside risk. The investment style is active and causes significant security turnover in some market conditions.

The **Waycross Growth Strategy** is available to clients through SMAs and third-party platforms. This strategy is a long-only, tax-managed approach. This strategy is likely to appeal to investors interested in portfolios composed of common stocks primarily issued by large and medium capitalization domestic companies which are generally perceived to be high quality. To the extent requested by the client, fixed income type investments and liquid alternative investments are also utilized to reduce volatility of the overall portfolio or to generate income. This approach may be suitable for individuals or institutions with long term investment horizons that are seeking capital appreciation and willing to accept market-like risk.

Potential investors in SMAs are asked to complete a client information profile and investment questionnaire before opening an account in order to determine their investment goals and risk tolerance.

Potential investors in our limited partnerships are asked to complete a Purchase Questionnaire and Private Offering Memorandum. Because the Partnerships may charge a performance-based fee, they only accept clients who are determined to be “accredited investors” as defined by Rule 501 promulgated under the Securities Act of 1933. The term “accredited investors” refers to investors who are financially sophisticated and have a reduced need for the protection provided by certain government filings. “Accredited Investors” include:

(a) a natural person who (i) has an individual net worth, or joint net worth with that person's spouse, in excess of \$1,000,000 at the time of the purchase of Interests, excluding from the calculation (A) the value of the undersigned's primary residence and (B) any indebtedness secured by the primary residence up to the estimated fair market value of the primary residence (except that if the amount of such indebtedness outstanding on the date of the purchase of the Interests exceeds the amount outstanding 60 days before, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability) or (ii) has had an individual income in excess of \$200,000, or joint income with that person's spouse in excess of \$300,000, in each of the two most recent years and reasonably expects an income in excess of those levels in the current year;

These investors are considered to be fully functional without all the restrictions of the SEC.

Waycross Partners, LLC managed \$62 million as of December 31, 2017.

This document is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments, or strategies mentioned herein may not be suitable for all investors.

Item 5 Fees and Compensation

Waycross Long/Short Equity Fund, L.P. and Waycross Long/Short Opportunity Fund, L.P.

Waycross Partners, LLC is compensated by the Partnerships for its investment supervisory services based on a percentage of the market value of the assets in the Partnerships and upon a share of the profits. This is also described as a performance-based fee structure.

At the end of each month, Waycross Partners, LLC receives a management fee from the Partnerships equal to 1/12 of 1.0% per month (1.0% annually) of the net assets (market value before any redemption).

At the end of each limited partner's investment year, as defined, Waycross Partners, LLC will be entitled to receive an investment performance allocation equal to twenty percent (20%) of any cumulative new trading profit as of the end of the limited partner's investment year; provided, however, that this payment will be subject to a loss carryforward provision such that the amount, may not exceed 20% of the new trading profit over such limited partner's loss carryforward amount applicable to the investment year and, provided the limited partner is an "accredited investor" as defined in Item 4.

Waycross Partners, LLC, in its sole discretion, may waive or modify the investment performance allocation and management fee in whole or in part from time to time with respect to any limited partner; it is anticipated that we will waive the investment performance allocation and management fee in its entirety with respect to limited partners who are also members, managers, or employees of Waycross Partners, LLC.

Waycross Long/Short Equity Fund ("WAYEX")

WAYEX pays Waycross Partners, LLC a fee of 1.25% per annum.

Separately Managed Accounts (SMAs)

Investors in the individually managed accounts compensate Waycross Partners, LLC for its investment supervisory services based on a percentage of the market value of the assets in their portfolio. Fees are billed quarterly and paid in arrears. Clients can choose to pay the bill directly or elect to have the fee deducted from the account by the custodian.

The fee is typically 1.0-1.5% annually of the market value of the portfolio calculated and billed on the calendar quarter, based on the average month end market value. Waycross Partners, LLC may modify this fee for certain large accounts or waive the fee for employees, partners, and immediate family members.

The client may terminate the agreement at any time upon written notice to Waycross Partners and a pro rata portion of the quarterly fee will be applied.

The custodian may charge transaction fees or commissions, wiring charges and other account maintenance fees, but Waycross Partners, LLC does not receive any of these fees.

As appropriate, Separately Managed Account clients of Waycross may be solicited to invest in the Partnerships. Under these circumstances, the portion of the client's account invested in the Partnership(s) is excluded from the advisory fee calculation. With respect to the investment in the Partnership(s), however, the client will incur a pro rata share of fees and expenses, including a performance-based fee, as set forth in the applicable Partnership offering documents. Separately Managed Account clients are under no obligation to invest in any of the Partnerships. Any investment in a Partnership will be made only after the client has received the proper offering and subscription documentation and has had ample opportunity to review such documentation and to ask questions, if necessary.

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

Waycross Partners, LLC charges the limited partners of the Partnerships a fee based on a percentage of the profits generated by the investments in the Partnerships. Higher profits produced in the Partnerships also lead to higher fees. Performance based fees are considered a conflict of interest. Potential conflicts of interest are avoided through adherence to the strategy guidelines, exposures, and established risk parameters.

The performance-based fee calculation is described in Item 5 and only charged to “accredited investors” as defined in Item 4. Individually managed accounts are not charged a performance-based fee.

Item 7 Types of Clients

Waycross Partners, LLC provides investment advice to individuals, high net worth (HNW) individuals, trusts, corporations, charitable organizations, small businesses, and other pooled investment vehicles.

We generally require a minimum investment of \$1,000,000 participate in the Partnerships. We may waive this requirement at our discretion.

We generally require that an individual client invest at least \$250,000 in our Separately Managed Accounts (SMAs). We may waive this minimum under certain circumstances.

As adviser to an investment company (mutual fund) registered under the Investment Company Act of 1940, Waycross Partners, LLC may manage some or all of the assets of the fund on a discretionary basis in accordance with the fund's investment objectives, policies, and restrictions and subject to the supervision and control of the Fund Manager.

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

Waycross Long/Short Equity Fund, L.P.

Waycross Partners, LLC makes use of deep fundamental research of companies and industries in the evaluation of all potential investments, both long and short investment ideas. Investments are publicly traded equity securities, principally common stocks, but to a lesser degree, convertible preferred stocks, mutual funds, exchange traded funds, and other investment vehicles with equity-like characteristic including stock options. The long-term goal is capital appreciation, while controlling down-side risk and protecting principal. There can be no assurance that we will achieve these investment goals.

The Waycross portfolio management team rigorously analyzes each investment candidate, evaluating company-specific metrics ("key factors") deemed most likely to affect annual earnings. These key factors are identified and compared to the general economic outlook in order to assess the likelihood of persistence. Companies are ranked based on an assessment of these key factors. Most of the investments are made in mid and large capitalization stocks.

Generally, the common stock of companies which exhibit, or are likely to exhibit, an increasing revenue growth trend and stable or improving margins are potential candidates for purchase, while companies with flat or declining revenue trends and poor margins are candidates to sell their stocks short.

Though each potential investment is carefully analyzed, some additional factors, known or unknown, can cause the investment to lose money.

MATERIAL RISKS

An investment in the Waycross Long/Short Equity Fund, L.P. or Waycross Long/Short Opportunity Fund, L.P. involves financial and other risks and is only suitable for sophisticated investors who are using the strategies as part of an investment program and not their total investment portfolio. Potential investors should carefully review the risks involved in the context of their overall financial circumstances.

Both of our Long/Short strategies hold investments in equity and equity-like securities that fluctuate in value, often based on factors unrelated to the value of the issuer of the securities. The market price of equity securities may be affected by general economic conditions, such as a broad decline in stock market prices, conditions faced by a specific sector, such as a group of stocks in the same or comparable industries declining similarly, or by conditions affecting specific issuers, such as changes in earnings forecasts.

Both of our Long/Short strategies engage in short sale transactions which involves the sale of securities that the fund does not own. This is done with the expectation that the security can be repurchased at a lower price sometime in the future. In a generally rising equity market, short positions may be more likely to result in losses because the environment would be more conducive for the securities sold short to increase in value.

Investments made in our limited partnerships have limited liquidity and are not freely transferable. Withdrawals are subject to restrictions and are generally only permitted at certain times and after prior written notice.

The Waycross portfolio management team rigorously analyzes each investment candidate, evaluating company-specific metrics (“key factors”) deemed most likely to affect annual earnings. These key factors are identified and compared to the general economic outlook in order to assess the likelihood of persistence. Companies are analyzed based on an assessment of these key factors. Most of the investments are made in mid and large capitalization stocks.

The common stock of companies which exhibit, or are likely to exhibit, an increasing revenue growth trend and stable or improving margins are potential candidates for purchase, while companies with flat or declining revenue trends and poor margins are candidates to sell their stocks short.

The portfolio is diversified across a broad number of stocks, normally between 20 to 50 different securities, including long and short positions.

Though each potential investment is carefully analyzed, some additional factors, known or unknown, can cause the investment to lose money.

INVESTORS IN THE LIMITED PARTNERSHIPS SHOULD BE ABLE TO BEAR A LOSS OF ALL OR PART OF PRINCIPAL INVESTMENT.

Navian Waycross Long/Short Equity Fund ("WAYEX")

WAYEX pursues its investment objective by investing under normal circumstances in long and short equity positions. Long positions are purchased with the intended goal of benefitting from rising valuations. When the Mutual Fund takes a long position in a security, it purchases the security outright.

Long positions principally consist of a portfolio of common stocks of mid-capitalization and large-capitalization companies with low valuations based on the Waycross Partners, LLC's proprietary analysis. Waycross Partners, LLC rigorously analyzes each investment candidate, evaluating company-specific metrics ("key factors") that it deems most likely to affect annual earnings, and then ranks the companies based on an assessment of these key factors. Following further analysis, Waycross Partners, LLC buys stocks for the WAYEX mutual fund that it determines to have improving key factors that are available at reasonable valuations.

When the Mutual Fund takes a short position, it sells a security it does not own at the current market price by borrowing the security. WAYEX then hopes to be able to replace the borrowed security by purchasing the security later at a price lower than the price at which it sold the security short. Under normal circumstances, WAYEX will invest at least 80% of its net assets (plus the amount of any borrowings for investment purposes) in equity securities traded in the U.S.

WAYEX will generally establish short positions in common stocks of mid-capitalization and large-capitalization companies. Securities are sold short based on the following criteria: 1) to seek to take advantage of companies that Waycross Partners, LLC has identified as overvalued; 2) when Waycross Partners, LLC determines that a company's key

factors are weakening; and/or 3) to hedge market exposures from the WAYEX mutual fund's long positions.

Waycross Partners, LLC will generally sell a long position when there is a material adverse change in the issuer's key factors and will generally cover a short position when there is a material positive change in the issuer's key factors. Further, when a security reaches or exceeds its pre-determined target price, the strategy typically requires that a security be sold (or covered in the case of a short sell). A security position may also be sold when Waycross Partners, LLC believes other investment opportunities are more attractive or that the security is unlikely to benefit from current business, market or economic conditions if a long position or the company's prospects have improved in the case of a short position. The WAYEX mutual fund may engage in frequent and active trading of securities as part of its principal investment strategy.

It is expected that the WAYEX mutual fund will generally maintain a net long exposure (i.e., the market value of the Fund's long positions minus the market value of the Fund's short positions) of 40-60% under normal market conditions and, at most, 60%.

MATERIAL RISKS

As with any mutual fund investment, there is a risk that you could lose money by investing in WAYEX. The success of the investment strategy depends largely upon the adviser's skill in selecting securities for purchase and sale by the mutual fund and there is no assurance that the WAYEX Mutual Fund will achieve its investment objective. Because of the types of securities in which the mutual fund invests and the investment techniques the adviser uses, the Mutual Fund is designed for investors who are investing for the long term. The Mutual Fund may not be appropriate for use as a complete investment program.

Separately Managed Accounts (SMAs)

Separately Managed Account portfolios are created after discussing each client's investment goals and objectives. A client's risk tolerance drives the asset allocation target for the equity/fixed income split in the portfolio.

The equity selection process utilizes the same deep fundamental research described above to identify attractive investment opportunities in primarily mid and large capitalization common stocks. Preference is given to reasonable priced stocks of companies which have strong business models and positive earnings outlooks. Investments are chosen with a longer-term time horizon in mind and security annual turnover will normally be low. The portfolio is diversified across the economic sectors. Changes to the portfolio are made when

a company's mid to long term outlook changes or when general economic conditions affect the portfolios.

Fixed income investments are composed of commingled investments such as mutual funds, exchanged traded funds, and money market funds. Fixed income type investments are selected with the purpose of protecting capital and generating income.

There can be no assurance the portfolio will attain its investment objectives and can lose money.

MATERIAL RISKS

All of the investments in the SMAs are subject to changes in market value and may lose principal value. Changing economic conditions, political environment, company specific earnings outlook, and interest rate levels may cause changes in portfolio value. These items, and others, may cause your account to generate both short term and long term taxable gains and losses.

Item 9 Disciplinary Information

There have been no disciplinary or legal actions taken against Waycross Partners, LLC, nor any member of the organization.

Item 10 Other Financial Industry Activities and Affiliations

No employee of Waycross Partners, LLC is a registered broker-dealer, commodity trading adviser, or involved in selling insurance or any financial products.

Larry J. Walker is a co-manager of Walker One, LLC, a Kentucky limited liability company organized and operated as a family limited partnership. Larry's involvement does not require significant time and will not detract from his responsibilities at Waycross Partners, LLC.

Waycross Holdings, Inc. is the majority owner in Waycross Partners, LLC. Benjamin H. Thomas is the President of Waycross Holdings, Inc.

Matthew G. Bevin began a four-year term as Governor of Kentucky in December 2015. While Mr. Bevin retains a minority ownership interest in Waycross Partners, LLC, he is not actively involved in firm operations.

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

Each employee must act in accordance with the firm's and each individual's fiduciary responsibility. The Waycross Partners Code of Ethics includes the following standards:

- i. Place the interest of the clients first;
- ii. All personal securities transactions must be conducted in such a manner as to be consistent with the firm's compliance program and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility;
- iii. All material facts concerning any conflict of interest must be disclosed;
- iv. Employees must not take inappropriate advantage of their positions;
- v. Information concerning the identity of security holdings and financial circumstances of clients is confidential;
- vi. Independence in the investment decision-making process is paramount;
- vii. All employees must comply with applicable federal securities law; and
- viii. All employees are to report violations of the firm's code of ethics promptly to the Chief Compliance Officer.

In addition, Waycross Partners, LLC has adopted the CFA Institute's Asset Manager Code of Professional Conduct. Embedded in this Code of Conduct is also a Code of Ethics and Standards of Professional Conduct.

A copy of these Codes is available upon request or can be viewed at the following link.

<http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx>

At the time of employment, and annually, each employee signs a statement agreeing to abide by this policy and submit reports of their securities holdings. Employees at Waycross Partners, LLC also invest in the Partnerships, which may cause a conflict of interest.

Waycross Partners, LLC investment professionals may not trade publicly traded securities unless each trade is approved in advance by our Chief Compliance Officer or its designee. No investment professional may trade a security at any time within one day before or after an account executes a trade with respect to such security. All investment professionals of Waycross Partners, LLC are required to submit reports to the Chief Compliance Officer of all personal trades in publicly traded equity securities not later than 30 days after the end of each calendar quarter.

Item 12 Brokerage Practices

Waycross Long/Short Equity Fund, L.P., Waycross Long/Short Opportunity Fund, L.P., and WAYEX

Waycross is responsible for the placement of the portfolio transactions of the Partnerships and WAYEX and the negotiation of any commissions or spreads paid on such transactions. Portfolio securities normally will be purchased through brokers on securities exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio instruments through broker-dealers involve a commission to the broker-dealers.

Purchases of portfolio securities from broker-dealers serving as market makers include the spread between the bid and the asked price. Securities transactions will be executed by broker-dealers selected by Waycross in its sole discretion. In appointing additional prime brokers or broker-dealers, Waycross may select such broker-dealers on the basis of a variety of factors, including the following: the ability to affect prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker; the quality, the competitiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying Waycross' other selection criteria.

Waycross engages in soft dollar transactions. A potential exists for a conflict of interest to arise if commissions are used to pay for services that could be considered "mixed use" i.e., products or services that provide both research and non-research benefits. If this condition does arise we will make a good faith effort to allocate such items reasonably and prepare and maintain appropriate records.

In addition, Waycross may execute trades with broker-dealers with whom the Partnerships have other business relationships, including prime brokerage, credit relationships and capital introduction relationships or with broker-dealers that have invested, either directly or through affiliates, in the Partnership or in another entity managed by Waycross. Waycross is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with investment and research information or to pay higher commissions to such firms if Waycross determines such prices or commissions are reasonable in relation to the overall services provided. A portion of the commissions generated on the Partnerships' brokerage transactions may generate "soft dollar" credits that Waycross will be authorized to use to pay for research or

brokerage services used by Waycross consistent with the “safe harbor” provisions of Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended (the “1934 Act”).

Research services furnished by broker-dealers may include written information and analyses concerning specific securities, companies, or sectors; market, financial and economic studies, and forecasts; statistics and pricing or appraisal services, as well as discussion with research personnel. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

Research or brokerage services provided by broker-dealers used by the Partnerships may be utilized by Waycross or its affiliates in connection with its investment services for other accounts and, likewise, research or brokerage services provided by broker-dealers used for transactions of other accounts may be utilized by Waycross in performing its services for the Partnerships.

Separately Managed Accounts

Brokerage for Separately Managed Accounts, the commission rates paid, and the broker-dealers selected for the execution of the transactions are determined by Waycross Partners, LLC.

Aggregation of Transactions

Waycross may from time-to-time aggregate transactions across its Partnerships, WAYEX, and Separately Managed Accounts. Where Waycross executes orders directly for its advisory clients, Waycross has implemented a process to enter client orders received contemporaneously by the Trading Desk on a concurrent, rotational, or other basis for fairness to its advisory clients. No personal transactions for any Waycross employees are ever aggregated with Waycross client transactions.

Initial Public Offerings

From time to time as permitted by applicable offering documents, Waycross may purchase securities that are part of an initial public offering (IPOs) or new issues in accordance with applicable Financial Industry Regulatory Authority (FINRA) rules. FINRA rules prohibit certain "Restricted Persons" from participating in IPOs or new issues. Therefore, the profits and losses from IPOs or new issues will generally be allocated to Investors in the Partnerships that are not Restricted Persons. Nevertheless, Waycross may avail itself of a "de minimis" exemption pursuant to which a portion of any new issue profits and losses may be allocated to Restricted Persons.

Accordingly, the rate-of-return experienced by investors who participate fully in the profits and losses from IPOs or new issues may differ materially from that of investors who are Restricted Persons. Investors should review the respective offering document(s) of their respective Partnership(s) for complete information on new issues restrictions.

In addition, with respect to the Separately Managed Accounts, Waycross's policy is to allocate investment opportunities among these Separately Managed Accounts fairly and equitably.

Item 13 Review of Accounts

Waycross Long/Short Equity Fund, L.P., Waycross Long/Short Opportunity Fund, L.P. and WAYEX

The investments in the portfolios which constitute the Partnerships and WAYEX are monitored daily. Each morning, the news and price action of the securities in the portfolios are reviewed. Any information that is likely to change our outlook on the economic factors that constituted the basis for our positions in the investments is discussed by the investment team. Special consideration is given to any information that we feel may change the near-term earnings outlook for a company.

Unexplained price action of a stock can also trigger a more thorough investigation of what factors may be causing significant gains or losses.

A decision to buy or sell a security is normally based upon a combination of bottom-up and top-down evaluation process with a longer-term focus.

The investments which constitute the Partnerships are reviewed each day the New York Stock Exchange is open for business by Benjamin Thomas, the General Partner and/or other investment professionals at Waycross Partners.

Separately Managed Accounts (SMAs)

The holdings in the individually managed portfolios are selected based upon their strong business positions and long-term profit outlook, and therefore, low security turnover is anticipated. However, news affecting the holdings is reviewed daily and each portfolio is reviewed weekly by the investment professionals of Waycross Partners to insure proper cash flow management and security weighting.

For portfolios which contain fixed income type investments, the percentage weighting of equity and equity-like investments and bonds and bond-like investments will be reviewed at least monthly and rebalanced when market conditions seem appropriate.

Item 14 Client Referrals and Other Compensation

Waycross Partners, LLC may, from time to time, enter into referral agreements with outside third parties who may refer clients to us. We compensate these parties by sharing a portion of the fees paid by the client. The management fees paid by an investor are not increased as a result of any arrangement. Additional disclosures about the arrangement are included in the offering documents for the Partnerships. When this type of arrangement is employed, it is fully disclosed, in writing, to the client at the time of the referral.

Item 15 Custody

Because we act as investment adviser and manager to the Partnerships, Waycross Partners is deemed to have custody of client assets under current applicable regulatory interpretations. As an adviser with custody, we seek to have the Partnerships audited on an annual basis by an independent public accountant that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB). We seek to send the audited financials to each investor in the Partnerships within 120 days of the fund's fiscal year end.

In addition, Waycross is deemed to have "constructive custody" under regulatory guidelines to the extent certain clients authorize Waycross to directly debit the firm's

advisory fees from the client's independent custodian consistent with industry practices and regulatory guidelines.

The Separately Managed Accounts sub-advised by Waycross receive periodic portfolio statements and/or commentary from Waycross. Separately Managed Account clients receive monthly statements from their independent brokerage or bank qualified custodians. Waycross provides clients with itemized fee invoices on a calendar quarterly basis which includes a complete breakdown of how the fee is calculated. Clients are urged to carefully review each statement and fee invoice in order to ensure that all account transactions, holdings and values are correct and current.

Item 16 Investment Discretion

Waycross Partners, LLC has full investment discretion to buy and sell securities on behalf of the Limited Partners. Limited Partners of Partnerships sign a subscription agreement that provides Waycross Partners, LLC limited power of attorney.

Clients that have Separately Managed Accounts execute an investment management agreement that includes a limited power of attorney giving Waycross Partners full discretion to manage the portfolios.

Item 17 Voting Client Securities

A. The Partnerships and WAYEX

Waycross Partners recognizes that the proxies of publicly traded companies represent assets of each Partnership and that there is a duty to vote them in an informed and responsible manner. This obligation includes the paramount duty to vote shares in the best interests of the clients.

We have adopted general guidelines for voting proxies as summarized below. In keeping with its fiduciary obligations to clients, we review all proposals, even those that may be considered to be routine matters. Although these guidelines are to be followed as a general policy, in all cases, each proxy and proposal will be considered based on the relevant facts and circumstances. Waycross may deviate from the general policies and procedures when it determines that the particular facts and circumstances warrant such deviation to protect the interests of their investors. These guidelines cannot provide an exhaustive list of all the

issues that may arise nor can Waycross anticipate all future situations. Corporate governance issues are diverse and continually evolving, and Waycross devotes significant time and resources to monitor these changes.

Though none are anticipated, where conflicts of interest may arise, all issues will be resolved in the interest of Partnership and WAYEX investors.

The following guidelines reflect what Waycross Partners believes to be good corporate governance and behavior:

Board of Directors: The election of directors and an independent board are key to good corporate governance. Directors are expected to be competent individuals and they should be accountable and responsive to shareholders. Waycross Partners supports an independent board of directors, and prefers that key committees such as audit, nominating, and compensation committees be comprised of independent directors. Waycross will generally vote against management efforts to classify a board and generally support proposals to declassify the board of directors. Waycross will consider withholding votes from directors who have poor attendance records at board meetings. Waycross generally favors separating the Board Chairman position from the Chief Executive Officer position and will review this issue on a case-by-case basis, taking into consideration other factors, including the company's corporate governance guidelines and performance.

Ratification of Auditors: Waycross will closely scrutinize the role and performance of the auditors and examine proposals relating to non-audit relationships and non-audit fees and on a case-by-case basis consider proposals to rotate auditors.

Management & Director Compensation: Waycross believes that executive compensation should be directly linked to the long-term performance of the company and will generally support equity-based bonus plans for top executives as long as the outcomes look to be fair and reasonable. Waycross will generally oppose plans that have the potential to be excessively dilutive. Waycross will generally support employee stock option plans in which the purchase price is at least 85% of the fair market value, and when potential dilution is 10% or less.

Severance compensation arrangements will be reviewed on a case-by-case basis, although Waycross will generally oppose "golden parachutes" that are considered excessive, and support proposals that require that a percentage of directors' compensation be in the form of common stock.

Anti-Takeover Mechanisms and Related Issues: Waycross generally opposes anti-takeover measures since they tend to reduce shareholder rights. Waycross will evaluate shareholders

rights plans on a case-by-case basis to determine whether or not they warrant support. Waycross will vote against any proposal to issue stock that has unequal or subordinated voting rights.

Change to Capital Structure: Waycross will review proposals by companies to increase authorized shares and the purpose for the increase. Waycross will generally not vote in favor of dual-class capital structures to increase the number of authorized shares where that class of stock would have superior voting rights. Waycross will generally vote in favor of the issuance of preferred stock in cases where the company specifies the voting, dividend, conversion and other rights of such stock and the terms of the preferred stock issuance are deemed reasonable.

Mergers and Corporate Restructuring: Mergers and acquisitions will be analyzed to determine whether they would be beneficial to shareholders. Waycross will analyze various economic and strategic factors in making the final decisions on a merger or acquisition. Corporate restructuring proposals are also subject to a thorough review.

Social and Corporate Policy Issues: As a fiduciary, Waycross is concerned with the economic well-being of all the stakeholders but has a specific duty to Partnership investors. Waycross will generally give management discretion with regard to social, environment and ethical issues, although Waycross may vote in favor of those issues that are believed to have significant economic benefits or implications.

Clients may obtain a copy of the proxy voting record for the Partnerships or WAYEX by contacting our office at (502) 410-1900 or by email inquiry at waycross@waycrosspartners.com.

B. Separately Managed Accounts (SMAs)

We do not vote the proxies of securities held in individually managed accounts; clients are encouraged to vote them in a manner consistent with their best interests.

C. Class Actions and Legal Proceedings

Portfolio companies currently or formerly held in Waycross Partners, LLC client accounts may become subject to class actions, bankruptcy, or other legal proceedings. Waycross does not monitor for, act on behalf of clients in, or assist clients in any such proceedings. To the extent requested in the client's investment management agreement, Waycross will use best efforts to forward to the client notices received related to proceedings for their specific account.

Item 18 Financial Information

As a matter of firm policy and practice, our firm will not charge or earn advisory fees in excess of \$500 more than six months in advance of the services rendered.

Neither the Partnerships nor their representatives have been subject to any bankruptcy proceeding during the last ten years and we are not aware of any financial impairment that would preclude Waycross Partners, LLC from fulfilling its obligations to deliver the agreed upon products or services to its clients.