

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

### **Walleye Trading Advisors, LLC**

2800 Niagara Lane North  
Plymouth, MN 55447

952-345-5200

[www.walleyetrading.com](http://www.walleyetrading.com)

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This brochure provides information about the qualifications and business practices of Walleye Trading Advisors, LLC (“**WTA**” or the “**Adviser**”). If you have any questions about the contents of this brochure, please contact Adil Elamri, Chief Compliance Officer, at 952-345-5200. 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 WTA is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

**THIS BROCHURE DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY.**

## **Item 2: Material Changes**

This brochure contains information about Walleye Trading Advisors, LLC upon its initial application to register as an investment adviser with the SEC. In the future, this Item will summarize the material changes, if any, made to this brochure as part of the annual update.

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## Item 4: Advisory Business

Walleye Trading Advisors, LLC, a Minnesota limited liability company (“**WTA**” or the “**Adviser**”), currently provides discretionary investment management services to Private Funds, and seeks to provide investment management services to additional pooled investment vehicles and separately managed accounts (“**Private Funds**” or “**SMAs**,” respectively, and collectively “**Clients**”) (limited partners and/or shareholders in the Private Funds are referred to as “**Fund Investors**”). Formed in April 2005, WTA’s principal owner is Irvin Kessler. Eight other individuals also own WTA although no other individual member owns more than 25% of WTA. WTA’s Private Fund clients are private investment vehicles for Fund Investors, including investors that are employees and/or owners of WTA and also third party investors. WTA’s Investment Committee (the “**Investment Committee**”) has discretionary authority over the investment allocations of Private Funds. The Private Fund may be made up of a significant percentage of proprietary capital, in addition to capital derived from third party investors. The Investment Committee meets on a regular basis to discuss and make decisions related to performance of WTA strategies, Private Fund and WTA risk management, allocation of Private Fund capital among trading vehicles and strategies, among other issues.

WTA’s business model is based on the combination of experience, attention to the dynamics of the current trading and investment environment, and the trading knowledge of its senior management. WTA goals include: (i) a focus on and demonstrated ability to develop talented traders, software engineers and quantitative researchers, (ii) state-of-the-art, proprietary technology, (iii) a disciplined and focused portfolio and liquidity management approach, and (iv) prudent risk management capabilities. Central to WTA’s business model are: (i) a pragmatic approach to growth in assets under management—by investing in a solid infrastructure (investment and business), as well as soliciting additional capital only when investment opportunities justify doing so; (ii) a commitment to managing client assets over the long-term through different market cycles; and (iii) investing in and maintaining proprietary technology.

Among other methods, WTA employs a variety of quantitative/statistical and relative value strategies executed by one or more trading entities, traders or trading firms retained by a Private Fund or WTA that often require highly frequent trading. WTA monitors for market scenarios which are not suitable for “black-box” trading systems to address and may interrupt or suspend the systems to trade such circumstances manually and at a lower velocity. WTA also utilizes the market experience of its principals to complement its quantitative approach to trading and investing, which includes such activities as opportunistically entering into relationships with Third-Party Managers (as defined below) on a sub-advisory basis.

WTA provides investment advice directly to Private Funds rather than individually to Fund Investors. WTA manages assets in accordance with the terms of the applicable governing documents of its Clients, and tailors its services to the needs of each Client. Investment restrictions for Clients are generally established in the applicable governing document such as a limited partnership agreement or private placement memorandum (collectively “**Fund Governing Documents**”) for Private Fund clients. For WTA’s intended SMA Clients, the Adviser will seek to enter into an investment management agreement (“**IMA**”) to govern investment restrictions among other terms.

As of December 31, 2017, WTA manages approximately \$312,769,106 in regulatory assets under management on a discretionary basis. WTA does not manage any advisory client assets on a non-discretionary basis.

## **Item 5: Fees and Compensation**

WTA does not have a standard management fee or performance fee schedule. Management and performance fees are subject to negotiation with each Client. WTA may charge management fees in the future. In general, WTA expects its fees to fall into one of the following categories: (i) an expense pass-through expense (“PTEs”) arrangement combined with a performance allocation that is a percentage of net profits for a particular Client, (ii) a management fee combined with a performance allocation, or (iii) some other combination of a charge for direct fund expenses, management fee and/or performance allocation. Direct fund expenses, manager operating expenses, and other expenses treated as PTEs will be described in detail in the applicable Fund Governing Documents or IMA. Some Fund Investors may be charged a direct administrative fee. Such administrative fees may be paid from such investor’s share of any distribution and does not reduce the investor’s capital commitment in the applicable fund. WTA’s fees are paid in arrears.

### **Third Party Manager Expenses**

Allocations of capital made by a Client to managers not affiliated with WTA (“**Third-Party Managers**”) will be subject to additional fees, including management and incentive fees paid to such Third-Party Managers by a Client.

### **Performance Allocation**

WTA will generally be entitled to share in the appreciation in value of each Client’s account balance. The fees, expenses, and withdrawal terms applicable to each Client are set forth in detail in each of the applicable Client’s Governing Documents or IMA. For each fiscal year, WTA or an affiliate will be entitled to a performance allocation (the “**Performance Allocation**”) equal to percentage of net profit allocable to each Fund Investor’s capital account.

### **Other Types of Direct and Indirect Fees or Client Expenses**

WTA may specially allocate the expenses in another manner if the Adviser reasonably determines, in its sole discretion, that it is equitable to do so. To the extent that expenses to be borne by a Client are (or will be) paid by WTA or its affiliates, such Client may reimburse WTA or its affiliates for such expenses. To the extent that a Client is invested in an exchange-traded fund, mutual fund, or Third-Party Managed private fund, it will bear, along with other shareholders, its pro rata portion of the exchange-traded fund’s or mutual fund’s or Third-Party Managed Private Fund’s management, trading, and administrative fees and expenses (in addition to any WTA fees and expenses). The investment strategy employed by WTA requires highly frequent trading, resulting in substantial brokerage commissions and other transaction fees and expenses. The brokerage and commission expenses of Clients are anticipated to materially exceed those of other private funds of comparable asset size, though WTA believes that the brokerage and commission expenses are necessary in order to implement the WTA investment strategy.

Any expense common to any other Private Fund or other Clients managed by WTA or its affiliates generally will be paid pro rata by such entities based on the eligible Client’s assets under management (or in any other manner deemed fair and equitable by WTA, in WTA’s sole discretion).

WTA may, as agreed to and as disclosed to certain clients, charge fees that vary from the fees described above. Such fees will be set forth in the applicable Client Governing Documents.

## **Item 6: Performance Based Fees and Side-by-Side Management**

As discussed under **Item 5: Fees and Compensation**, WTA or its affiliates receive annual performance-based allocations or fees from Clients, which are based on a percentage of the net capital appreciation of their assets or other performance based metrics as agreed with Clients. Because of the amount of the fee or allocation is based on the assets, as the assets increase (or decrease) in value so does the management fee.

At certain times performance based allocations or fees could incentivize the Adviser to give preference to a client paying performance fees over one that does not. Additionally, these allocations may create an incentive for WTA to make more speculative or aggressive investments than would otherwise be made, or make decisions regarding the allocation, timing and manner of realization of investments differently than if such incentives were not received. Performance-based compensation at times is based in part on unrealized gains and losses, so WTA may have an incentive to inflate the value of Client assets through fair valuation determinations. WTA also has conflicts of interest in determining the fair value of client assets, if needed. Despite the presence of these conflicts of interest, WTA seeks to act fairly and has adopted written policies and procedures that are designed to ensure fairness. Current and prospective Clients are invited to discuss allocation and valuation policies and procedures.

WTA maintains a policy regarding conflicts of interest as well as a code of ethics that (i) reminds employees of WTA's fiduciary duty (ii) reminds employees of their obligation to the Adviser's Clients, (iii) memorializes and fosters WTA's general standards of business conduct and requires compliance with both the letter and the spirit of federal securities laws (iv) provides guidance for dealing with certain potential conflicts of interest, (v) requires certain employees to report their personal securities transactions and holdings to WTA's chief compliance officer or his/her designee in accordance with the Investment Advisers Act of 1940, (vi) requires certain employees to pre-clear securities transactions (vii) requires employees to report violations and (viii) imposes additional record keeping requirements.

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

The minimum initial investment in Private Funds advised by WTA is \$1,000,000, which WTA may waive in its discretion. In the future, WTA may provide investment advisory services to additional Private Funds and/or SMAs. Fund Investors may include high-net worth individuals, family offices, retirement plans, institutional investors and employees and or related persons of WTA. Details concerning applicable investor suitability criteria are set forth in the respective Fund Governing Documents and subscription materials. Each Fund Investor is required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth in Regulation D promulgated under the Securities Act of 1933, as amended, a "qualified purchaser" or "knowledgeable employee" as defined in the Investment Company Act, as amended and, if charged a performance fee by the Adviser, a "qualified client" as defined under the Investment Advisers Act

of 1940. Fund Investors must also complete an investor questionnaire and must be able to represent that they do not fall into any of the categories outlined under Rule 506(d) of Regulation D.

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

WTA's investment objective is to seek superior risk-adjusted rates of return that are in accordance with guidelines proscribed within the Client Governing Documents. WTA will attempt to meet this objective by making trading and capital allocation decisions based upon proprietary trading methods and the knowledge of its investment management personnel. In pursuit of the investment objective, WTA actively trades (i) securities, (ii) currencies (U.S. and foreign), and (iii) derivatives, which include listed equity options, futures contracts (and options thereon), swaps, unlisted equity options and other financial instruments in the discretion of WTA or an affiliate (collectively, "**Derivatives**"). WTA will employ speculative trading strategies either directly or through the use of affiliated trading entities or Third-Party Managers.

Among other methods, WTA employs a variety of quantitative/statistical and relative value strategies executed by one or more trading entities, traders or trading firms retained by a Fund or WTA. The principals of WTA monitor for market scenarios which are not suitable for "black-box" trading systems to address and may interrupt or suspend the systems to trade such circumstances manually and at a lower velocity. WTA also utilizes the market experience of its principals to complement its quantitative approach to trading and investing, which includes such activities as opportunistically entering into relationships with Third-Party Managers on a sub-advisory basis.

**Investing in securities, including listed equities, Derivatives and ETFs, and engaging in market making strategies through the use of quantitative models and Third Party Managers involves a substantial risk of loss that Clients should be prepared to bear. An investment with WTA is not a complete investment program and should represent no more than a portion of a Fund Investor's or Client's portfolio management strategy.**

The following risk factors do not purport to be a complete enumeration or explanation of the risks involved in an investment with WTA.

### **General Risks**

*Speculative Investment Strategies.* Trading in securities and Derivatives is highly speculative and subject to substantial risks, including a total loss of investment. Among other things, the prices of securities and Derivatives can be highly volatile and subject to rapid and substantial fluctuations. Price movements for securities and Derivatives may be influenced by, among other things:

- company fundamentals
- changes in interest rates
- governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies
- weather and climate conditions
- changing supply and demand relationships
- money supply policies and available liquidity
- changes in balances of payments and trade

- currency devaluations and revaluations
- rates of inflation or deflation
- political and economic events; and
- changes in philosophies and emotions of market participants

A trading method (regardless of the nature of the method) may not take account of all of these factors.

*Broad Investment Discretion.* WTA has broad discretion in making investments for clients. WTA may change its investment strategy without notice to investors and there are no limitations on the securities, Derivatives or other instruments.

*Past Results.* There can be no assurance, nor should it be assumed, that the future investment performance of WTA will conform to any prior performance history or that WTA investments will avoid significant losses, including a total loss of investor capital. The investment results and portfolio compositions set forth in this report are provided for illustrative purposes only and may not be indicative of the future investment results or future portfolio composition.

*Private Fund Offerings.* An investment in a privately offered commingled fund can be highly illiquid, is speculative and is not suitable for all investors. Investment in privately offered commingled funds is only intended for experienced and sophisticated investors that are willing to bear the high economic risks of the investment. Certain of these risks may include: loss of all or a substantial portion of the investment due to leveraging or other speculative practices; lack of liquidity (in that there may be no secondary market for the security and none expected to develop); volatility of returns; restrictions on transferring interests in the fund; potential lack of diversification and the resulting elevated risk; absence of information about valuations and pricing; complex tax structures and delays in tax reporting; and less regulation and higher fees than other types of investments including mutual funds.

*Possible Positive Correlation with Stock and Bonds.* One of the goals in incorporating a non-traditional investment such as the Private Funds into a portfolio is to provide a potentially valuable element of diversification. However, there can be no assurance, particularly during periods of market disruption and stress when the risk control benefits of diversification may be most important, that WTA will, in fact, be non-or negatively correlated with a traditional portfolio of stocks and bonds.

*Counterparties and Brokers.* The counterparties with which the Trading Entities trade or invest or that clear the Trading Entities trades may encounter financial difficulties and delay or default on their payment obligations. Any such default could result in material losses.

*Custody Risk.* WTA does not control the custodianship of their securities. The banks or brokerage firms selected to act as custodians may become insolvent, causing Clients to lose all or a portion of the funds or securities held by those custodians.

*Financing Arrangements; Availability of Credit.* The use of leverage is integral to certain of WTA's strategies, and Clients depend on the availability of credit in order to finance their portfolio. There



can be no assurance that Clients will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, the banks and dealers that provide financing to Clients can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in large margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel a Client to liquidate all or part of its portfolio at disadvantageous prices.

*Reliance on Corporate Management and Financial Reporting.* Certain of the strategies implemented by WTA rely on the financial information made available by the issuers in which Clients' invest. WTA has no ability to independently verify the financial information disseminated by the issuers in which a Client invests and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Recent events have demonstrated the material losses investors such as Clients can incur as a result of corporate mismanagement, fraud and accounting irregularities.

*Competition; Potential Strategy Saturation.* Clients compete with numerous other private investment funds as well as other investors, many of which have resources substantially greater than WTA. The amount of capital committed to "alternative investment strategies" has increased dramatically during recent years. The profit potential of Clients may be materially reduced as a result of the "saturation" of the alternative investment field.

*Intellectual Property Infringement/Misappropriation.* Third parties may obtain and use WTA's or any of its affiliates' intellectual property or technology, including its trade secrets and trading program software, without permission. Any unauthorized use or misappropriation of WTA's or an affiliate's trade secrets, proprietary software and other technology could adversely affect its competitive advantage. Proprietary software and other technology are becoming increasingly easy to duplicate, particularly as employees with proprietary knowledge leave the owner or licensed user of that software or other technology. WTA and its affiliates may have difficulty monitoring unauthorized uses of its proprietary software and other technology. The precautions they have taken may not prevent misappropriation or infringement of its proprietary software and other technology. Also, third parties may independently develop proprietary software and other technology similar to that of WTA or an affiliate, or claim that WTA or an affiliate has violated their intellectual property rights, including their copyrights, trademark rights, trade names, trade secrets and patent rights. As a result, WTA or an affiliate may have to litigate in the future to protect its trade secrets, determine the validity and scope of other parties' proprietary rights, defend itself against claims that it has infringed or otherwise violated other parties' rights, or defend itself against claims that its rights are invalid. Any litigation of this type, even if WTA or affiliate is successful and regardless of the merits, may result in significant costs, divert its resources from a Client, or require it to change its proprietary software and other technology or enter into royalty or licensing agreements.

*Trading in International Markets.* The risk of loss in trading securities and Derivatives on markets outside of the U.S. can be substantial. Participation in non-U.S. markets involves the execution and clearing of trades on, or subject to the rules of, a foreign board of trade or foreign securities market. Some of these non-U.S. markets, in contrast to U.S. markets, are so-called principals' markets in which performance is the responsibility only of the individual counterparty with whom the trader has entered into a transaction—not of the exchange or clearing house. In these kinds of markets, Clients will be subject to the risk of bankruptcy, insolvency, payment failure or other failures or refusals to perform by the counterparty. Moreover, many of these non-U.S. market are unregulated, which means that Clients may have no or limited recourse in the event of such a failure or refusal. Some non-U.S. markets present additional risk because they are not subject to the same degree of regulation as their U.S. counterparts. Neither the SEC nor the CFTC or any domestic exchange regulates activities of foreign boards of trade or securities markets outside of the U.S., including the execution, delivery and clearing of transactions, nor has the power to compel enforcement of the rules of a foreign board of trade or exchange or of any applicable non-U.S. laws. Additionally, trading on non-U.S. markets is subject to the risks presented by exchange controls, expropriation, increased tax burdens and exposure to local economic declines and political instability. An adverse development with respect to any of these variables could reduce the profit or increase the loss earned on trades in the affected international markets. Some non-U.S. markets also may be in a more developmental stage so that prior price histories may not be indicative of current price dynamics. In addition, a Client may not have the same access to certain positions on foreign markets as do local traders, and the historical market data on which WTA bases its strategies may not be as reliable or accessible as it is in the U.S.

*Market Risks in General.* WTA's strategies are each subject to certain dimensions of market risk: directional price movements, deviations from historical pricing relationships, changes in the regulatory environment, changes in market volatility, "flights to quality," "credit squeezes," among other possible events. The particular or general types of market conditions in which a Client may incur losses or experience unexpected performance volatility cannot be predicted.

*Changing Market Conditions.* Certain changes in general market conditions — for example, a decline in listed Derivatives trading volume — could materially reduce a Client's profit potential.

*Volatility.* The prices of many of the instruments, including securities and Derivatives, have been subject to periods of excessive volatility in the past, and such periods can be expected to recur. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions. While volatility can create profit opportunities for a Client, it can also create the specific risk, in the case of a Client, that historical or theoretical pricing relationships will be disrupted, causing what should otherwise be comparatively low risk positions to incur losses. On the other hand, the lack of volatility can also result in losses for certain of WTA's strategies that profit from price movements.

*Stagnant Markets.* Certain of the investment strategies employed by WTA rely for their profitability on market volatility contributing to the mispricings which they are designed to identify. In periods of trendless, stagnant markets and/or deflation, these strategies may have materially diminished prospects for profitability.

*Lack of Market Liquidity.* Certain of the markets in which a Client trades will from time to time experience periods of illiquidity. Illiquid markets can make it economically unfeasible for a Client to recognize profits on open positions or to close out open positions against which the market is moving.

*Certain Risks Associated with Cybersecurity.* Investment advisers, including WTA, must rely in part on digital and network technologies (collectively, “cyber networks”) to conduct their businesses. Such cyber networks might in some circumstances be at risk of cyber-attacks that could potentially seek unauthorized access to digital systems for purposes such as misappropriating personal data or sensitive information, corrupting data, or causing operational disruption.

Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent network security or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. WTA maintains a cybersecurity policy and certain technical and physical safeguards intended to protect the confidentiality of its internal data. Nevertheless, cyber incidents could potentially occur, and might in some circumstances result in unauthorized access to sensitive information about WTA or its Clients as WTA does not directly control the cyber security systems of issuers or third party service providers.

### **Certain Strategy Risks**

*Market-Making Strategies.* Certain strategies involve market-making and seek to provide liquidity with respect to securities and Derivatives. Market-making is dependent for its profitability on sufficient spreads between prices that can be “bid” and “asked” by market-makers. If bid-ask spreads shrink, the per trade profit decreases accordingly. Market-makers are also subject to regulatory risk. Options market-makers must be registered as broker-dealers with the SEC and members of the exchanges on which they quote. Similarly, futures market liquidity providers are members of the futures exchanges on which they trade. In such capacities, those entities are subject to audit and regulatory action, and must expend resources on compliance with applicable rules. Other factors that affect the profitability of market-making include: liquidity; the depth and breadth of an order book; suspensions of trading activity; exchange, regulatory and clearing fees; margin levels, collateral valuation policies and other financing policies of clearing brokers; and volume levels, among other things. Regardless of the ability of the Manager or the effectiveness of its strategies, an increase in fees, an adverse change in financing policies, and a lack of volume in the markets a Trading Entity quotes could each cause the Fund to experience substantial losses.

*Multiple-Strategy Approaches.* The diversification of WTA’s strategies may not be significant and, even if significant, may not provide meaningful risk control, while reducing a client’s profit potential as a result of certain strategies being unprofitable while others are profitable. Certain of these strategies and markets may involve an unusually high degree of risk considered on a stand-alone basis, and combining multiple strategies inherently involves the opportunity cost of certain strategies’ losses offsetting the gains recognized by other strategies.

*Other Strategies.* WTA is seeking to continually develop new, and adapting and refining existing, strategies. Each of these strategies has its own peculiar risks and may, in connection with the other

strategies then being used for a Private Fund, increase the overall risk and decrease the diversification of a Private Fund's overall portfolio.

*Active Trading.* Client trading activities may involve substantial portfolio turnover and correspondingly high transactional costs.

*Model and Data Risk.* WTA relies on quantitative models and systems (both proprietary models developed by WTA or affiliates and those supplied by third parties) and information and data supplied by third parties (collectively, “**Models and Data**”). Models and Data are used to construct sets of transactions and investments and to provide risk management insights, and may be used to assist in hedging the investments. When Models and Data prove to be incorrect or incomplete, any decisions made in reliance thereon expose Clients to potential risks. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful. Some of the models used by WTA are predictive in nature. The use of predictive models has inherent risks. Because predictive models are usually constructed based on historical data, the success of relying on such models may depend heavily on the accuracy and reliability of the historical data. All models rely on correct market data inputs. If incorrect market data is entered into even a well-founded model, the resulting information will be incorrect. However, even if market data is input correctly, “model prices” will often differ substantially from market prices. In addition, WTA relies on its staff to properly operate and maintain its computer and communications systems upon which the trading systems rely. Execution and operation of WTA's computer and communications systems is subject to human error. Any failure, inaccuracy or delay in implementing any WTA or affiliates computer and communications systems and executing the Trading Entities' transactions will impair its ability to identify profit opportunities and benefit from them. It could also result in decisions to undertake transactions based on inaccurate or incomplete information. This could cause substantial losses to a Client.

*Market Disruptions.* A Client may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to a Client from its banks, dealers and other counterparties may be reduced in disrupted markets. Such a reduction may result in substantial losses to a Client. In 1994 and again in 1998, sudden restrictions of credit by the dealer community resulted in forced liquidations and major losses for a number of private investment funds. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for a Client, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

*No True Arbitrage.* WTA strategies do not generally involve true arbitrage — in which profits will necessarily be realized if a position can be maintained until maturity. Certain of the WTA strategies generally involve taking what are evaluated to be only partially offsetting positions in instruments whose true price and correlations to other instruments are uncertain and liquidity may be limited. What WTA analyzes as a mispricing may be evaluated quite differently by other market participants who may, in fact, use pricing models materially different from those used by WTA. No representation can be made that WTA will correctly identify any “true arbitrage” in any Derivatives market. Even if a true arbitrage is identified, there can be no assurance that a client will be able to

maintain an arbitrage position until the inherent profit is recognized. In addition, all arbitrage strategies are subject to the risks that increasing market liquidity, technological innovation and new theoretical constructs or refinements will reduce or eliminate the arbitrage opportunity and the profitability of its exploitation.

*Lack of Diversification.* WTA focuses Client investments in options, futures, and related instruments, and is likely to be invested only in a limited number of classes of such instruments at any time. Concentration of Client investments in a limited number of markets and instruments results in increased risk. Diversification is not a goal of the WTA investment strategy. WTA is not restricted as to the percentage of the Client's assets that may be invested in any particular instrument, market or strategy. WTA does not and will not maintain any fixed requirements for diversifying its Client portfolio.

*Exchange Rates.* Client assets will invest in securities, Derivatives and other instruments denominated in non-U.S. currencies. Such investments are subject to the risk that the value of a particular currency will change in relation to the U.S. Dollar, which is the base currency of Clients. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. WTA may seek to hedge these risks by investing directly in non-U.S. currencies and buying and selling options, futures or forward contracts thereon. WTA cannot, however, assure any Client that those strategies, if implemented, will be effective.

*Duration of Investment Positions.* WTA does not typically know (except in the case of certain options or other Derivatives positions that have pre-established expiration dates) the maximum — or, often, even the expected (as opposed to optimal) — duration of any particular position at the time of initiation. Actual holding periods will depend on numerous market factors which can both expedite and disrupt price convergences. There can be no assurance that Clients will be able to maintain any particular position, or group of related positions, for the duration required to realize the expected gains, or avoid losses, from such positions.

*Securities Lending.* A Client may borrow and lend securities on an ongoing basis in the regular course of its investing. Third parties that borrow securities from Clients may not be able to return them on demand (possibly causing a Client to default on its obligations to other parties) and may also default on the payment obligations owed to the Client in connection with such securities loans, potentially resulting in substantial losses to the Client.

*Absence of Hedging.* WTA will not, in general, attempt to hedge all market or other risks inherent in the Client's positions, and will hedge certain risks, if at all, only partially. Specifically, WTA may choose not, or may determine that it is economically unattractive, to hedge certain risks — either in respect of particular positions or in respect of Client's overall portfolio. Clients may have significant market risk, despite the hedging costs which it incurs.

To the extent that WTA hedges, its hedges will not be static but rather will need to be continually adjusted based on WTA's assessment of market conditions, as well as the expected degree of non-correlation between the hedges and the portfolio being hedged. The mechanisms employed by

WTA to monitor and manage the risks associated with its trading activities on behalf of the Client may not succeed in mitigating any or all identified risks. The success of WTA's hedging strategy will depend on the ability to implement this strategy efficiently and cost-effectively, as well as on the accuracy of the ongoing judgments concerning the hedging positions to be acquired by a client.

*Trade Execution Risk.* Many of the trading techniques used by WTA will require the rapid and efficient execution of transactions. Inefficient executions can eliminate the small pricing differentials which WTA is seeking to exploit.

*Trading Errors.* While WTA will attempt to correct trading errors as soon as they are discovered, WTA will not be responsible for poor executions, erroneous orders, rogue algorithms or trading errors.

*Compliance.* WTA provides no assurance that any controls, procedures, safeguards or policies will be sufficient to prevent a violation of applicable law, including the rules or orders of a federal agency or securities or futures exchange with jurisdiction over WTA.

*Developing New or Additional Investment Strategies.* WTA is not restricted from developing and incubating new strategies, even if WTA has limited or no experience in a new strategy. There can be no assurance WTA will be successful in developing and implementing new or additional strategies.

*Speculative Position Limits.* Speculative position limits imposed by various regulators and exchanges may limit WTA's ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if WTA does not intend to exceed applicable position limits, it is possible that different accounts managed by WTA or its affiliates may be aggregated. If at any time positions managed by WTA were to exceed applicable position limits, WTA would be required to liquidate positions, which might include positions of a Client, to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, a Client might have to forego or modify certain of its contemplated trades.

*Electronic Trading and Order Routing Systems.* WTA intends to trade on electronic trading and order routing systems for a portion of its order flow. Transactions using an electronic system are subject to the rules and regulations of the exchanges offering the system or listing the contract. Characteristics of electronic trading and order routing systems vary widely among the different electronic systems with respect to order matching procedures, opening and closing procedures and prices, error trade policies and trading limitations or requirements. There are also differences regarding qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the system. Each of these matters may present different risk factors with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times and security. In the case of internet-based systems, there may be additional risks related to service providers and the receipt and monitoring of electronic

mail. Trading through an electronic trading or order routing system is also subject to risks associated with system or component failure. In the event of system or component failure, it is possible that for a certain time period, it might not be possible to enter new orders, execute existing orders or modify or cancel orders that were previously entered. System or component failure may also result in loss of orders or order priority, or the sending of erroneous orders. Some contracts offered on an electronic trading system may be traded electronically and through open outcry during the same trading hours. Exchanges offering an electronic trading or order routing system and listing the contract may have adopted rules to limit their liability, the liability of futures brokers and software and communication system vendors and the amount that may be collected for system failures and delays. These limitations of liability provisions vary among the exchanges.

### **Securities, Derivatives and Financial Instruments Risks**

*Derivatives Generally.* WTA will use a variety of Derivatives, which may include exchange-traded option contracts, exchange-traded futures contracts (and options thereon) and swaps and options traded in the over-the-counter (“OTC”) market, to implement its investment strategies. The pricing of Derivatives is uncertain, variable and based primarily on theoretical models, the outputs of which may vary substantially from the prices actually recognized in the market. The market for many types of Derivatives is comparatively illiquid and inefficient, creating the potential for substantial mispricings, as well as sustained deviations between theoretical and market value.

*Options.* WTA will make extensive use of listed options on single stocks and stock indices (including volatility indices) for Client’s portfolios. These activities involve risks that can be substantial, depending on the circumstances. Options trading is highly specialized and is subject to risks that are in addition to the risks generally associated with trading Derivatives. If a Client purchases a put or a call option, the Client may lose the entire premium paid. If a Client writes or sells a put or call option, the Client’s loss is potentially unlimited. For example, the seller of an uncovered call option is subject to the risk that the price of the underlying security will increase, thereby subjecting the seller to significant losses. Also, option prices tend to decline over time as options near their exercise dates. This “time decay” must be offset by other factors, such as increased volatility, or options positions will decline in value.

*Futures Contracts.* Clients will buy and sell futures contracts, including futures contracts on equity indices. Futures prices can be highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical. The amount of margin funds necessary to be deposited with a bank or broker to enter into a futures contract is typically about 2% to 10% of the total value of the contract (and may even be zero). As a result of this leveraging, even a small movement in the price of a contract can cause major losses. Any purchase or sale of a futures contract may result in losses that substantially exceed the amount invested in the contract. For example, if \$2,200 in margin is required to hold one U.S. Treasury bond futures contract with a face value of \$100,000, a \$2,200 decrease in the value of that contract could, if the contract is then closed out, result in a complete loss of the margin deposit, without taking into account deductions for fees and/or commissions. Severe short-term price declines could thus force the liquidation of open positions with large losses. If a Client suffers losses, WTA may de-leverage its account(s), which would materially impair the Client’s ability to recover its initial losses. Futures contract gains and losses are marked-to-market daily for purposes of determining margin

requirements. Options on futures contracts generally are not marked-to-market daily, although short option positions will require additional margin if the market moves against the position. Due to these differences in margin treatment between futures and options thereon, there may be periods in which positions on both sides must be closed down prematurely due to short term cash flow needs. If, for example, this occurs during an adverse move in a spread or straddle relationship, then a substantial loss could occur.

*Equities.* Equities invested in by a Client may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. There are no absolute restrictions in regard to the size or operating experience of the companies in which the Client may invest.

*Foreign Exchange.* The prices of assets held by a Client may be sensitive to foreign exchange-rate fluctuations; such fluctuations could cause the U.S. dollar value of long and short positions to move in unanticipated directions. To the extent that foreign exchange-rate assumptions underpin the hedging of a particular position, fluctuations in rates could invalidate those underlying assumptions and expose Clients to losses. WTA is not obligated to hedge Client exposure to any risks, including, foreign exchange-rate risks.

*Non-U.S. Securities.* Clients may trade in securities of companies domiciled or operating in one or more non-U.S. countries. Investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States (“U.S.”), including instability of certain non-U.S. governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the U.S. or abroad) or changed circumstances in dealings between nations. The application of non-U.S. tax laws (e.g., the imposition of withholding taxes on dividend or interest payments, income taxes and excise taxes) or confiscatory taxation may also affect a Client investment in non-U.S. securities. Clients may incur higher expenses from investment in non-U.S. securities than from investment in U.S. securities because of the costs that must be incurred in connection with conversions between various currencies and because non-U.S. brokerage commissions may be higher than commissions in the U.S. Non-U.S. securities markets also may be less liquid, more volatile and less subject to governmental supervision than in the U.S. Client investments in non-U.S. countries could be adversely affected by other factors not present in the U.S., including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

*Other Instruments and Future Developments.* Clients may take advantage of opportunities in the area of swaps, options on various underlying instruments and swaptions and certain other customized “synthetic” or derivative investments in the future. In addition, Clients may take advantage of opportunities with respect to certain other “synthetic” or derivative instruments which are not presently contemplated for use by a client or which are currently not available, but which may be developed to the extent such opportunities are both consistent with a client’s investment objective and legally permissible for the client. Special risks may apply to a client’s investments in the future.

### **Structural Risks**



*Projections and Opinions.* Statements contained marketing WTA strategies that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of WTA. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. No assurance can be given that returns from a Client will be equal or similar to those achieved or expected to be achieved by any past results, and no assurances can be given that actual results will achieve WTA's stated objectives.

*Importance of WTA.* Clients must rely on the ability of WTA to implement and maintain WTA's trading and investment program. WTA, in turn, is dependent on the services of certain key personnel—including its traders—and the loss of the services of one or more such professionals would likely materially impair the ability of WTA to provide services to Clients.

*Affiliations.* From time to time, WTA may form other Trading Entities on behalf of a Client without prior notice. The capital of the Client is exposed to the performance of such Trading Entities.

*WTA Incentive or Performance Allocation.* The fact that WTA is compensated based on the trading profits creates an incentive for WTA to make investments on behalf of Client's that are riskier and/or more speculative than would be the case in the absence of such compensation.

*Reliance on Beneficial Member Rates.* In conducting its trading activities, Client's will rely upon the transaction and clearing rates afforded to members of certain exchanges (including the Trading Entities), which rates are substantially lower than the rates assessed to non-members of such exchanges. To the extent that a Client no longer qualifies for a member rate, the costs and expenses of the Client would materially increase.

*Valuation Risk; Use of Estimates.* WTA will value Client's positions in such manner as it deems fair. A Client's Net Asset Value is based to the extent possible on quotes provided by brokers and other competent third-party pricing sources. The fair market value of those investments of a Client for which a reliable third-party quote is not available or is overruled will be based on other relevant sources deemed reliable by WTA in its good faith judgment. The Performance Allocation, as well as amounts due to investors upon withdrawal or in connection with distributions, may be determined on the basis of estimates.

*Valuation/Withdrawal Discrepancies.* In many cases, even if a Client has correctly valued an asset, there will be (or potentially will be) a wide disparity between such valuation and the amount that the Client could actually realize on the sale of such asset.

*Risk of Litigation.* In the ordinary course of its business, WTA may be subject to litigation from time to time. The outcome of such proceedings may be impossible to anticipate, and such proceedings may continue without resolution for long periods of time. Any litigation may consume substantial amounts of WTA's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

*Leverage.* WTA expects to utilize substantial leverage in investing Client assets, including through engaging in trading on margin by borrowing funds, pledging securities as collateral, and through

instruments with embedded leverage such as derivatives (e.g., options, futures, and swaps). Losses incurred on a Client's leveraged investments increase in direct proportion to the degree of leverage employed. Clients may also incur interest expense on the borrowings used to leverage its positions. To the extent the assets of Clients have been leveraged through borrowings, the purchase of securities on margin or otherwise, the interest expense and other costs and premiums incurred in relation thereto may not be recovered. If gains earned by the Client's portfolio fail to cover such costs, the Net Asset Value of the Client portfolio may decrease faster than if there had been no borrowings. WTA also expects to engage in certain hedging strategies in both long and short investments, including through the use of equities, equity options, equity and sector indices, credit, currencies, futures and other marketable securities. Strategies employed by WTA also require frequent trading, resulting in substantial brokerage commissions and other transaction fees and expenses. The brokerage and commission expenses of Clients, as a percentage of its Net Asset Value, generally will substantially exceed those of many other private investment funds. These expenses must be offset by investment gains in order for the client account, Fund Investor, or Private Fund investment to be profitable.

*Other Strategies.* The descriptions of specific investment strategies and methods that may be engaged in by WTA should not be understood as limiting WTA's investment activities. For example, WTA may move client assets to cash equivalents or Treasuries for defensive purposes or in an effort to preserve capital in the event WTA has identified what WTA feels is a widespread market disruption. WTA may engage in investment strategies and methods not described that WTA considers appropriate; provided, however, WTA will keep Clients informed of any material change in overall strategy or approach. There can be no assurance that the investment objective of a client will be achieved. Clients must be prepared to lose their entire investment. There are no material restrictions on the strategies, leverage, markets or instruments that may be incorporated into the portfolio or the percentage of assets that may be committed to any particular issuer, strategy type, market or instrument. By investing with WTA, subscribers are relying on the discretionary market judgment of WTA and affiliates, without any meaningful diversification, leverage, type of trading or strategy concentration limitations. An investment with WTA is speculative and involves substantial risks, including, without limitation, general market and investment risks, risks associated with certain instruments, trading techniques and strategies, risks associated with derivatives, structural risks and tax risks. Prospective Clients or Clients are encouraged to consult their own financial, legal, and tax advisers regarding their individual circumstances and the suitability of an investment.

### **Conflict-related Risks**

*WTA and its Affiliated Persons; Co-investments.* WTA and each Private Fund has been formed by the same group of persons. A Private Fund's selection of WTA and the establishment of its arrangements with WTA is not the result of an arm's length negotiation; however, the arrangements with WTA are comparable to what would have been achieved on an arm's-length negotiation. It is anticipated that WTA (or an affiliate) will act as the General Partner to one or more current and upcoming Private Funds and have its own interest in such Private Funds; and, in some cases, any or all of WTA, its members, officers and/or employees (or members, officers and/or employees of any affiliate of WTA) ("**Affiliated Persons**") may invest their own additional capital into the Private Fund vehicle.

In these cases, WTA and its Affiliated Persons each have their own investment interest to consider along with the interest of WTA Clients.

Please refer to each Client's Governing Documents for a more detailed description of risks and conflicts associated with a WTA investment and trading strategies.

## **Item 9: Disciplinary Information**

Neither WTA nor any of its officers, directors, or employees or other management persons, has been involved in any legal or disciplinary events that would require disclosure in response to this Item.

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

WTA is the manager of a private investment fund, Walleye Investments Fund LLC ("**WIF**"). WIF is the primary owner of Walleye Trading LLC ("**WT**"), a registered broker-dealer that was formed in 2005 and specializes in the market-making of options on equities and futures. WT is a trading vehicle utilized by WIF to trade certain of its investment strategies. Various management persons of WTA, who are primarily responsible for client trading and investment decisions, are registered representatives of WT. WTA employees that perform trading and other functions for WT are also registered representatives of WT. Certain trading employees of WTA are also members of WT, and receive a percentage of the net profits of WT related to their strategies.

There are currently nine owners of WTA. All of the owners of WTA are also owners of WTA's technology affiliate, Walleye Software LLC ("**Walleye Software**"). The owners of WTA, through an investment by Walleye Software and also individual investments, are also owners of Illumon LLC ("**Illumon**"), a data management systems provider that provides data management software and services for WTA and other Illumon clients. The use of affiliated service providers by WTA on behalf of clients (including but not limited to WT, Illumon and Walleye Software) presents various conflicts of interest including conflicts associated with the selection, retention, and evaluation of the service provider. Affiliates are owned and controlled by the same individuals, therefore, WTA or employees have economic incentives to select and retain affiliated service providers. WTA (or affiliates) employees also determine the rates that Clients will pay for the services received from affiliated service providers which also present conflicts in determining market rates since they are not assessed at arms-length. Additional information associated with conflicts of interest is discussed throughout this brochure. Clients are encouraged to discuss the conflicts with WTA.

WTA is registered with the U.S. Commodity Futures Trading Commission as a commodity pool operator and commodity trading advisor. WTA is also a member of the National Futures Association (the "**NFA**"). WTA has various supervised persons that have affiliations with other broker-dealers and investment advisers. WTA discusses some of these affiliations and the conflicts of interest these relationships present to Clients below.

Mr. Irvin Kessler is a founding partner of WTA and is involved in setting the strategic direction of WTA. Mr. Kessler is also the Chief Investment Officer and Managing Member of Provident Advisors, LLC, a registered investment adviser he founded in 2002. Mr. Kessler is registered

representative of WT. He is also an owner of WTA. Mr. Kessler owns a substantial ownership interest in WIF and WT, and interests in other Private Funds. In addition, Mr. Kessler is an owner of Provident Real Estate Ventures LLC. Mr. Kessler is also the sole owner and CEO of Deephaven, Inc., an unregistered investment adviser he founded that provides advisory services to a related family office.

WTA has an investment in Sagetrader, LLC, a registered broker-dealer. WTA and its affiliates do not execute or clear transactions through Sagetrader, LLC.

WTA has various non-employee individuals including executive officers that provide services to WTA and other WTA financial industry affiliates including WT, Provident Advisors LLC, and Deephaven, Inc. These individuals are supervised persons of WTA, are subject to WTA Compliance Manual and Code of Ethics and receive compliance-related training. These shared resources individuals also make annual attestations along with other supervised persons which are designed to assess compliance with ongoing regulatory-related responsibilities.

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

WTA has adopted a written Code of Ethics (the “**Code**”) that is applicable to all supervised persons. The Code is designed to ensure that WTA and supervised persons understand the need to act with competence, dignity, integrity, and in an ethical manner, when dealing with Clients, prospects, and fellow supervised persons. Among other things, the Code requires WTA and supervised persons to put Clients’ interests first, abide by all applicable regulations, report certain conflicts of interest, report suspected violations of the Code, and pre-clear and report on various types of personal securities transactions. WTA has also imposed certain reporting requirements on personal securities trading activity that applies to access persons, as well accounts in which access persons have any beneficial ownership interest, which typically includes accounts held by immediate family members sharing the same household. A copy of WTA’s Code of Ethics is available to any client or prospective client upon request.

WTA, and its Related Persons have investments in Private Fund clients managed by WTA. As a result, Related Persons have an interest in an investment that WTA or affiliates will also recommend to prospective Clients. This also creates an incentive to favor Clients with Related Person ownership relative to Clients with little or no Related Person ownership. In addition, as previously mentioned, employees hold personal investments in the same portfolio securities that Clients hold. These personal investments could be in the same security, a related derivative, or in different parts or issues of the same issuer’s capital structure. If such an investment poses a conflict of interest, WTA will seek to act in a way that favors the interests of Clients. The trading records of trades by WTA or access persons, or members of their immediate household will not typically be available for review by current or prospective Clients. WTA has also established procedures under the Code designed to ensure that the personal securities transactions, activities and interests of the supervised persons and access persons of WTA will not interfere with making decisions in the best interest of clients while, at the same time, allowing employees to invest for their own accounts. Although the personal trading policy allows employees to invest in private securities managed by WTA, pre-clearance is required from the Chief Compliance Officer or designee for any IPOs or private placements. WTA will not permit any proposed transaction by an employee if the transaction

appears to pose a conflict of interest. Access Persons are also required to provide reports regarding transactions and holdings in “Reportable Securities” as defined in the Advisers Act.

In certain circumstances, such services may restrict WTA’s ability to make an investment that otherwise would be in one or more Clients’ interests. WTA and its officers and employees are strictly prohibited from engaging in insider trading. Under certain circumstances, WTA may determine that WTA, or one of its employees, have obtained, or may have obtained, material non-public information. WTA maintains a “restricted list” that is designed to prevent Clients, officers, and employees from engaging in insider trading. WTA’s use of a restricted list and caution in connection with potential exposure to material non-public information may limit Clients’ investment opportunities.

WTA does not intend to use an affiliated broker-dealer to cross investments and/or cash between Client accounts. So called agency cross trades would require consent from the participating clients by Rule 206(3)-2 under the Advisers Act.

Section 206(3) of the Advisers Act makes it unlawful for any investment adviser, directly or indirectly, acting as principal for its own account, knowingly to sell any security to or purchase any security from a Client without disclosing to the Client in writing the capacity in which the adviser is acting and obtaining the Client’s consent to the transaction. The SEC has indicated that when an investment adviser and/or its controlling persons own more than 25% of a Private Fund client’s outstanding securities, a trade with another Client account or Private Fund client should be treated as a principal transaction. If WTA engages in a principal transaction with a Client or cross trades among Client portfolios, WTA will affect the transaction in compliance with Section 206(3) of the Advisers Act.

## **Item 12: Brokerage Practices**

WTA has complete discretion in deciding which securities are bought and sold, the amount and price of those securities, the broker-dealers or counterparties to be used for a particular transaction, and commissions or markups and markdowns paid. In selecting brokers to effect portfolio transactions for Clients, WTA considers such factors as quality of execution—accurate and timely execution, clearance and fair error/dispute resolution; reputation, financial strength, integrity and stability; block trading and block positioning capabilities; willingness to execute difficult transactions; willingness and ability to commit capital; access to other securities offerings and secondary markets; ongoing reliability; overall costs of a trade (i.e., net price paid or received) including commissions, mark-ups, mark-downs or spreads in the context of WTA’s knowledge of negotiated commission rates currently available and other current transaction costs; nature of the security and the available market makers; desired timing of the transaction and size of trade; confidentiality of trading activity; market intelligence regarding trading activity; and the receipt of prime brokerage and related services, including capital introduction and introductions to management and research and industry information. WTA need not solicit competitive bids and does not have an obligation to seek the lowest available commissions and other costs. Accordingly, if WTA determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, including prime brokerage services, Clients may pay commissions to such broker in an amount greater than the amount another broker might charge for effecting the same transaction.

### Research and Soft Dollar Benefits

Section 28(e) of the Exchange Act provides a “safe harbor” to investment managers who use “soft dollars,” (i.e., commissions generated by their advised accounts) to obtain investment research and brokerage services from companies that provide lawful and appropriate assistance to the manager in connection with the investment decision-making process. It is WTA policy to use commission dollars generated by client trades to pay for research and brokerage services (collectively “soft dollar benefits”) that provide lawful and appropriate assistance to WTA in carrying out its investment decision-making responsibilities, as permitted under the safe harbor of Section 28(e) of the Exchange Act of 1934. WTA will only enter into arrangements under which it receives products and services in exchange for soft dollars where it reasonably believes that the arrangement falls within the safe harbor of Section 28(e).

WTA does not currently have any formal soft dollar arrangements in place at this time, but reserves the right to enter into such arrangements in the future. However, from time to time, WTA may cause its clients to pay commissions for executing transactions that are higher than the amount of commissions that another broker-dealer would charge for such brokerage services. Therefore, Clients may be deemed to be paying for research and other services with soft dollars. Services constituting “research” and “brokerage” under Section 28(e) that WTA may receive in connection with trading may include, but are not limited to: written (including electronic) information and analyses concerning specific securities, companies or sectors; news, quotation, statistics and pricing services, as well as discussions with research personnel and consultants; and hardware, software, data bases and other technical and telecommunications services and equipment utilized in the investment management process and consulting fees in connection with investigating and monitoring potential and existing investments. WTA may use such services in connection with its investment decision-making process with respect to one or more other accounts managed by WTA and may not be used exclusively with respect to the Client who incurred such charges.

### Directed Brokerage

Clients do not currently direct WTA to trade through any particular counterparty.

### Investment Allocation

WTA allocates investment opportunities among the Clients based on relevant factors, determined in WTA’s sole discretion, related to each Client, which may include but are not limited to:

- Transaction sourcing;
- Each Client’s liquidity and reserves;
- Each Client’s diversification;
- Lender covenants and other limitations;
- Amount of capital available for investment by each Client as well as each Client’s projected future capacity for investment;
- Each Client’s targeted rate of return;
- Stage of development of the prospective investment;
- Anticipated holding period and/or liquidity of the investment;
- Composition of each Client’s portfolio;

- The availability of other suitable investments for each Client;
- Risk considerations;
- Cash flow considerations;
- Asset class restrictions;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax implications;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the applicable offering, investment advisory agreement and/or organizational documents of each Client.

WTA will seek to make all allocations of investment opportunities in a fair and equitable manner, and will not favor or disfavor, consistently or consciously, any Client in relation to any other Clients. Further, WTA will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Client, (ii) the profitability of any Client or (iii) any person's interest in offering or participating in co-investment opportunities outside of any Client.

#### Order Aggregation

WTA will generally execute transactions on an aggregated basis when a trade is executed at the same time in the same security across multiple Client accounts and aggregation is expected to be in the best interest of all participating Clients. When aggregating orders as well as allocating the executions, WTA will treat all participating Clients in a fair and equitable manner taking into account all relevant factors, including, without limitation, each client's account size, diversification, cash availability, and investment objectives.

### **Item 13: Review of Accounts**

WTA investment professionals are responsible for management of WTA strategies and portfolios on a daily basis and for complying with internal portfolio management and risk management restrictions. WTA management also has access to real time reporting of risk exposures and monitors such exposures on an on-going basis. In addition, WTA's Compliance Department conducts regular reviews of account activity for compliance with WTA's compliance policies and procedures, Client and investment restrictions. Client accounts and WTA strategies are also reviewed periodically by the Investment Committee. Investment Committee reports typically include a breakdown of performance information and comparisons to benchmarks.

Each Fund Investor will generally be provided with unaudited performance information and unaudited investor statements on a monthly basis, a quarterly investor letter, annual tax information including a Schedule K-1, and audited financial statements annually.

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

Other than direct and indirect compensation previously referenced, WTA does not receive other economic benefits from non-clients in connection with the provision of investment advice to Clients.

In the event a Fund Investor subscribes as a result of the services of a placement agent, any placement fee to be paid to such agent will be administered according to the terms of the respective Fund Governing Documents, and disclosed to the client. Although WTA does not currently have any cash solicitation arrangements to the extent it enters into any such arrangements they will be made in compliance with Rule 206(4)-3 under the Investment Advisers Act if applicable.

### **Item 15: Custody**

While it is not WTA's practice to accept or maintain physical possession of Client assets, WTA or an affiliate may be deemed to have custody of the assets of assets under Rule 206(4)-2 of the Investment Advisers Act of 1940. Private Fund clients' financial statements are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Fund Investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of a Private Fund clients' fiscal year end. Private Fund clients' cash and securities are generally held by banks and broker/dealers that meet the definition of a "qualified custodian" under the SEC's "custody rule."

### **Item 16: Investment Discretion**

WTA has the authority to determine the type and amount of securities to be bought or sold for its Client. Our Client's Governing Documents grant WTA full discretionary authority to determine, without obtaining specific consent from it, the securities and the amounts to be bought or sold on behalf of a Client, to conduct the day-to-day investment operations of Clients, and to invest Clients' assets as WTA believes is appropriate and in the Client's best interests. Clients do not have authority to impose restrictions on WTA's investment discretion. While WTA exercises such discretion, the assets of Private Funds are held at one or more brokers registered with the SEC and the CFTC.

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

The terms of the Client Governing Documents determine if WTA has authority to vote proxies on behalf of a Client. WTA will document and abide by any specific proxy voting instructions conveyed by a Client with respect to that Client's securities. The guiding principle by which WTA votes all proxies is to vote in the best interests of each Client by maximizing the economic value of the relevant Client's holdings. WTA does not permit proxy decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle. WTA reserves the right to abstain, not vote or otherwise withhold its vote or consent on any matter if, in WTA's judgment the costs associated with voting outweigh the benefits to the relevant Clients. For example, WTA generally will abstain from voting proxies where (i) the outcome of the vote has no bearing on the investment strategy or reason for holding the security, (ii) clients no longer hold the securities at the time of the vote (whether or not they held them on the record date of the vote), or (iii) WTA, on behalf of Clients, has a net short position in such issuer. In connection with assessing proxies, WTA's personnel may, in their discretion, meet with members of a company's management and discuss matters of importance to the Clients and their economic interests. All WTA investment professionals are expected to perform their tasks relating to the voting of votes in accordance with the principles that the first priority is the best interests of the relevant client(s). If at any time any investment professional becomes aware of any potential or actual conflict of interest or perceived



conflict of interest regarding any particular voting decision, he or she should contact the CCO. The CCO will use his or her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the Client(s). A copy of WTA's proxy voting policies and procedures is available upon written request.

### **Item 18: Financial Information**

Not Applicable.