

**BROCHURE OF
SAG HARBOR CAPITAL MANAGEMENT, LLC**

A New York Limited Liability Company registered with the Securities and Exchange
Commission as an Investment Adviser

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This brochure (the “Brochure”) provides information about the qualifications and business practices of Sag Harbor Capital Management, LLC. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer, Adam Windwer, at (212) 684-2283 x109 or adam@w-financial.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Sag Harbor Capital Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Registration as an investment adviser does not imply a certain level of skill or training.

The Date of this Brochure is:

March 28, 2017

The delivery of this Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above.

Material Changes to Brochure

The following material changes have occurred since the previous Brochure was filed on March 28, 2016:

- Alternative Opportunities Fund, LP (the “PE Fund”) has been added as a private fund, and its general partner, Alternative Opportunities GP, LLC, has been added as a related person. The PE Fund has been formed, but has not as of yet accepted any investors.

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Item 4. Advisory Business.

- (A) **Description of Our Advisory Firm.** Sag Harbor Capital Management, LLC (“SHCM”, or “us”, “we” or “our”) is a U.S. Securities and Exchange Commission (“SEC”) registered investment adviser. As stated on the cover page of this Brochure, registration as an investment adviser does not imply a certain level of skill or training. SHCM has been in business since January 1, 2007. The principal owners and controlling persons of SHCM are Gregg Winter and David Heiden (the “Principals”). References herein to “SHCM” shall be deemed to include SHCM’s affiliates, as applicable, unless the context otherwise requires.
- (B) **Types of Advisory Services We Offer.** SHCM provides investment management services to, and has discretionary investment authority over the assets of, W Financial Fund, LP (the “Hedge Fund”) and Alternative Opportunities Fund, LP (the “PE Fund”, and collectively with the Hedge Fund, the “Funds”) pursuant to investment management agreements with the Funds (the “Fund IMAs”). The Funds are private investment vehicles formed to pool the assets of their investors (the “Investors”) for investment as summarized in Item 8 below and as described in the private placement memoranda of the Funds (the “PPMs”), which SHCM distributes to all prospective investors in the Funds together with the limited partnership agreement and subscription documents for the relevant fund (collectively with the PPM, the “Offering Documents”). The Principals of SHCM are also the principal owners and controlling persons of the general partners of the Funds, and thus control the business and affairs of the Funds. SHCM’s clients are referred to herein as “Clients”. Currently, the Funds are the sole Clients of SHCM.
- (C) **Tailoring of Our Advisory Services.** The PPMs for the Funds describe the investment strategies for the Funds and any restrictions on SHCM investing in certain assets or types of assets on behalf of the Funds. SHCM does not tailor its advisory services to the individual needs of specific Investors in the Funds, and specific Investors in the Funds may not impose restrictions on SHCM investing in certain assets or types of assets on behalf of the Funds.
- (D) **Wrap Fee Programs.** SHCM does not participate in wrap fee programs.
- (E) **Amount of Client Assets We Manage.** As of December 31, 2016, we manage \$270,422,137 Client assets on a discretionary basis and no Client assets on a non-discretionary basis.

Item 5. Fees and Compensation.

- (A) **How We are Compensated for Our Advisory Services.** SHCM is compensated for its advisory services by charging the Funds (and, indirectly/ultimately, each Investor, via a debit from such Investor’s capital account(s) in the Funds) certain fees (the “Fees”), which Fees are set forth in the Fund IMAs and/or the governing documents of the Funds, and are described in the PPMs for the Funds. Fees are of two types: (1) a management fee, calculated as an annual percentage of the net asset value of the Hedge Fund or of the

deployed capital of the PE Fund; and (2) a performance-based fee, calculated based on the performance of the Funds' investments (and which is payable in the form of an allocation by the Funds to an affiliate of SHCM). SHCM has the authority to enter into side letters with individual Investors that modify the fees payable by such Investors from the standard fees described in the PPMs.

- (B) **How We Collect Our Fees.** SHCM deducts Fees from the Funds' assets and debits such amounts from the applicable Investors' capital accounts in the Funds. The frequency with which we collect our fees is described in the Funds' Offering Documents.
- (C) **Expenses Charged to Clients.** The Funds are generally required to pay for all expenses incurred by SHCM on the Funds' behalf in connection with the performance of SHCM's advisory services, including ongoing legal, auditing and other professional fees and expenses and all investment related costs and expenses (including with respect to transactions not consummated), but excluding SHCM's own general operating and overhead expenses (for example, employee compensation and benefits, rent, office equipment, insurance, utilities, telephone, secretarial and bookkeeping services, etc.), in each case as specified in the Funds' Offering Documents.
- (D) **Fees Paid in Advance.** SHCM collects management fees in advance and is not required to (although it may elect to) refund pre-paid management fees if an Investor withdraws from the Funds before the end of the applicable calculation period.
- (E) **Compensation for the Sale of Securities or Other Investment Products.** Neither SHCM nor any of its supervised persons¹ accepts compensation for the sale of securities or other investment products.

Item 6. Performance Based Fees and Side-by-Side Management.

As described in Item 5.A above, SHCM charges the Funds (and indirectly the Investors) a fee based on the performance of the Funds' investments. SHCM does not manage both Clients that are charged a performance-based fee and Clients that are not charged a performance-based fee.

Item 7. Types of Clients.

As described in Item 4.B above, SHCM's sole Clients are the Funds, which are private investment vehicles formed to pool the assets of their Investors for investment as described in the Funds' PPMs. The Funds' investors include high net-worth individuals, trusts and other sophisticated investors, all of which must meet the Funds' minimum suitability standards. The requirements for investing in the Funds, including minimum investment amounts (which SHCM has the authority to waive), are set forth in the Funds' Offering Documents.

¹ SHCM's "supervised persons" consist of its officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on its behalf and is subject to its supervision or control.

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

(A) Investment Strategies

With respect to the Hedge Fund, SHCM's primary investment strategy is to originate short-term loans secured by first mortgages on real property (although the Hedge Fund may also originate or invest in second or other subordinated mortgages). The loans will generally have a term of 6 months to 3 years, although the Hedge Fund reserves the right to originate loans with longer terms. The Hedge Fund may also originate loans secured by pledges of the membership, partnership or other ownership interests in the entities which own, in part or in whole, the real property (mezzanine loans), and may structure investments as preferred, common or joint venture equity (not to exceed 10% of the Hedge Fund's net asset value, measured at cost at the time of investment).

With respect to the PE Fund, SHCM's primary investment strategy is to acquire multifamily and mixed-use buildings in the New York City area (primarily in Brooklyn, Manhattan and Queens) and seek to create value and enhance upside via tenant buyouts, property renovations and other value-added strategies in order to increase a property's cash flow, achieve higher NOI's (net operating income) and generate attractive investment returns.

The investment strategy of the Funds are described more fully in the Funds' PPMs.

Investing in assets of the types invested in by the Funds involves significant risks, including the risk that an Investor could lose some or all of any invested capital.

(B), (C) Risks Attendant to Our Investment Strategies. Set forth below are certain risks attendant to our investment strategies. Such risks are described more fully in the Funds' PPMs.

The PE Fund invests directly or indirectly in fee interests in real estate and the Hedge Fund makes loans collateralized by real estate and could become the owner of real estate in the event of a foreclosure. Therefore, an investment in the Funds is subject to certain risks associated with the real estate industry in general. These risks include, among others: (i) possible declines in the value of real estate; (ii) risks related to general and local economic conditions; (iii) possible lack of availability of mortgage funds; (iv) overbuilding; (v) extended vacancies of properties; (vi) increases in competition, property taxes and operating expenses; (vii) changes in zoning laws; (viii) costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; (ix) casualty or condemnation losses; (x) inadequate insurance coverage, the failure of an insurer to pay on a claim or the insolvency of an insurer; (xi) risks from floods, hurricanes, earthquakes or other natural disasters, including uninsured damages and re-designation of previously designated "non-flood" areas; (xii) risks of future terrorist attacks; (xiii) limitations on and variations in rents; and (xiv) changes in interest rates. To the extent that a Fund's investments, or the assets underlying or collateralizing a Fund's investments, are concentrated geographically, by property type or in certain

other respects, such Fund may be subject to certain of the foregoing risks to a greater extent.

The Hedge Fund will be subject to the risks inherent in making mortgage loans, including, without limitation, (a) the borrower may default, requiring that the Hedge Fund foreclose on the underlying property to protect the value of its mortgage loan, (b) the borrower may not be able to make a lump sum principal payment due under a mortgage loan at the end of the loan term, unless it can refinance the mortgage loan, or (c) if interest rates are volatile during the loan period, the Hedge Fund's variable-rate mortgage loans could have lower yields. Since the Hedge Fund's mortgage loans are sometimes non-recourse, the Hedge Fund must rely solely on the value of a property for its security. In addition, mezzanine loans will be subject to the prior rights of mortgage holders and creditors of the corporate entity owning the applicable property. Second, other subordinate and wraparound mortgages will be subject to the prior rights of first mortgage holders. Generally, the larger the mortgage loan compared to the value of the property securing it, the greater the loan's risk. Upon default and following foreclosure, the Hedge Fund may not be able to sell the property for its estimated or appraised value. Also, certain liens on the property, such as first mortgages, taxes and contractor or mechanic's or tax liens, may have priority over the Hedge Fund's security interest. The Hedge Fund may be required to pay the holders of such liens in full or in part to protect its security interest and investment. The Hedge Fund's mortgage loan investments will usually be subject to the risk that the borrower repays the loan prior to its scheduled maturity. The Hedge Fund will generally structure its loans with prepayment penalties to try to protect its returns. Prepayments will change the Hedge Fund's return because it may be unable to reinvest the proceeds at as high an interest rate as the original mortgage loan rate. The interest rate the Hedge Fund charges on mortgage loans could inadvertently violate state usury laws that limit rates. In any such event, the Hedge Fund could incur penalties or may not be able to enforce payment of the loan. Further, the Hedge Fund will be subject to rules and regulations of various governmental authorities which may impose restrictions and financial burdens on the Hedge Fund's ownership and operations that are not currently envisioned but which may negatively impact the Hedge Fund's return on investment.

The value of the real estate which underlies mortgage loans is subject to market conditions. Changes in the real estate market may adversely affect the value of the collateral and thereby lower the value to be derived from liquidation. In addition, adverse changes in the real estate market increase the probability of default, as the incentive of the borrower to retain equity in the property declines. Furthermore, the properties which will secure loans originated or purchased by the Hedge Fund may be suffering varying degrees of financial distress or may be located in economically distressed areas. Loans may become non-performing for a wide variety of reasons and may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments and a substantial write-down of the principal of the loan. However, even if such restructuring were successfully accomplished, a risk exists that upon maturity of such mortgage loan, replacement "take-out" financing will not be available.

The Hedge Fund may find it necessary or desirable to foreclose on certain loans. The foreclosure process is often lengthy and expensive. Borrowers may resist mortgage foreclosure actions by asserting numerous claims, counterclaims and defenses against the Hedge Fund, including, without limitation, numerous lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action and force the lender into a modification of the loan or a favorable buy-out of the borrower's position. In some states, foreclosure actions can sometimes take several years or more to litigate. At any time prior to or during the foreclosure proceedings the borrower may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the mortgaged property and may result in disrupting the ongoing leasing, management and operation of the property.

Cyber Security Breaches and Identity Theft SHCM's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although SHCM has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, SHCM may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in SHCM's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm SHCM's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Additionally, any failure of SHCM's information, technology or security systems could have an adverse impact on SHCM's ability to manage the Funds' investments which may negatively impact the value of such investments.

Item 9. Disciplinary Information.

Neither SHCM nor any of its supervised persons has been involved in any legal or disciplinary events that are material to an Investor's/Client's or prospective Investor's/Client's evaluation of our advisory business or the integrity of our management.

Item 10. Other Financial Industry Activities and Affiliations.

- (A) **Broker-Dealer Registration.** Neither SHCM nor any of its management persons² are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

² SHCM's "management persons" consist of anyone with the power to exercise, directly or indirectly, a controlling influence over SHCM's management or policies, or to determine the general investment advice given to SHCM's Clients.

- (B) **FCM, CPO, CTA or Associated Person Registration.** Neither SHCM nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

- (C) **Certain Relationships or Arrangements that are Material to Our Advisory Business.**

Winter & Company Commercial Real Estate Finance (“Winter & Company”) is a licensed real estate broker and commercial mortgage broker and is owned by Gregg Winter.

From time to time, the Hedge Fund originates loans referred to it by Winter & Company. In the event that Winter & Company refers a loan opportunity to the Hedge Fund, it may collect a customary brokerage fee directly from the borrower in connection with new loans made by the Hedge Fund to such borrower. In no event will Winter & Company collect a fee from the Hedge Fund. Winter & Company is under no obligation to refer mortgages exclusively to the Hedge Fund.

- (D) **Recommendation or Selection of Other Investment Advisors.** SHCM does not recommend or select other investment advisers for its Clients.

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

- (A) **Code of Ethics.** In recognition of SHCM’s fiduciary obligations to its Clients/Investors and SHCM’s desire to maintain its high ethical standards, SHCM has adopted a code of ethics (“Code of Ethics”) containing provisions designed to: (i) comply with all applicable laws and regulations; (ii) identify conflicts of interest; (iii) observe all fiduciary duties and provide a means to resolve any actual or potential conflict in favor of the Client/Investor; and (iv) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by SHCM’s Chief Compliance Officer and that personnel who violate the Code of Ethics are subject to sanctions by SHCM.

SHCM will provide a copy of the Code of Ethics to Clients/Investors and prospective Clients/Investors upon request.

- (B) **Recommendation of Investments in Which We Have a Financial Interest.** Neither SHCM nor any of its related persons³ recommends to Clients, or buys or sells for Client accounts, investments in which SHCM or any of its related persons has a material financial interest.

³ SHCM’s “related persons” consist of SHCM’s “advisory affiliates” and any person that is under common control with SHCM. SHCM’s “advisory affiliates” are (1) all of its officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling or controlled by SHCM; and (3) all of SHCM’s current employees (other than employees performing only clerical, administrative, support or similar functions).

- (C) **Investment in the Same Investments That We Recommend to Clients.** Neither SHCM nor any of its related persons invests in the same investments that SHCM or any of its related persons recommends to clients.
- (D) **Recommendation of Investments at the Same Time We Transact in the Same Investments for Our Own Account.** Neither SHCM nor any of its related persons recommends investments to Clients, or buys or sells investments for Client accounts, at or about the same time that SHCM or any of its related persons buys or sells the same investments for SHCM's own (or a related person's own) account.

Item 12. Brokerage Practices.

This Item 12 is not applicable, as SHCM's investment strategies involve real estate loans and other real estate investments, and not the management of traditional equity securities which involves the selection of securities brokers to execute securities transactions on behalf of clients.

Item 13. Review of Accounts.

- (A), (B) **Our Review of Client Accounts.** SHCM monitors the Funds' portfolios on an ongoing basis and addresses any material event that may affect the value of the PE Fund and/or the ability of the Hedge Fund's borrowers to repay their loans.
- (C) **Regular Reports We Provide to Investors.** Each Investor in a Fund receives: (i) annual financial statements of such Fund audited by an independent certified public accounting firm; (ii) a periodic letter from SHCM discussing the results of such Fund; and (iii) copies of such Investor's Schedule K-1 to such Fund's tax returns.

Item 14. Client Referrals and Other Compensation.

No one who is not an SHCM client provides an economic benefit to SHCM for providing investment advice or other advisory services to SHCM's clients.

Neither SHCM nor any of its related persons directly or indirectly compensates any person who is not an SCHM supervised person for client referrals.

Item 15. Custody.

We are deemed to have custody of the Funds' assets, and a qualified custodian sends quarterly, or more frequent, account statements to us. Investors in the Funds do not receive such statements; however, Investors do receive GAAP-compliant audited financial statements within 120 days after the end of each fiscal year of the Funds.

Item 16. Investment Discretion.

SHCM exercises discretionary authority to manage assets on behalf of the Funds pursuant to the Funds' IMAs. Any limitations on this authority are described in the Funds' IMAs and/or the Funds' Offering Documents.

Item 17. Voting Client Securities – Proxy Policy.

This Item 17 is not applicable, as SHCM's investment strategies involve real estate loans and other real estate investments, and not the management of traditional equity securities which carry the right to vote on matters submitted to the equity holders (for example, election of directors).

Item 18. Financial Information.

- (A) SHCM does not require or solicit prepayment of any fees six months or more in advance.
- (B) To the best of our knowledge, there exists no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our Clients.
- (C) SHCM has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19. Requirements for State Registered Advisers.

This Item 19 is not applicable, as SHCM is registered as an investment adviser with the U.S. Securities and Exchange Commission and not with any State governmental authority.