



ADV Part 2A FIRM BROCHURE

Tallwoods Partners, LLC

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This disclosure brochure (the “**Brochure**”) provides information about the qualifications and business practices of Tallwoods Partners, LLC, a Delaware limited liability company, (the “**Firm**” or “**Tallwoods**”). If you have any questions about the contents of this brochure, please contact us at (312) 927-6909 or mresnick@tallwoods.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Tallwoods is an investment adviser registered with the SEC under the Investment Advisers Act of 1940 (the “**Advisers Act**”). Registration of an investment adviser with the SEC or any state securities authority does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information with which you determine to hire or retain an adviser.

Additional information about Tallwoods also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes Summary

The Securities and Exchange Commission requires registered investment advisers to provide clients with Form ADV Part 2, which contains a clearly written and meaningful disclosure, in plain English, about the adviser's business practices, conflicts of interest and advisory personnel. The Form ADV Part 2 is divided into two parts, Part 2A and Part 2B. Part 2A of the Form (the "**Brochure**") provides information about a variety of topics relating to an adviser's business practices and conflicts of interest. Part 2B of the Form (the "**Brochure Supplement**") requires an adviser to provide information about certain advisory personnel.

Tallwoods believes that communication and transparency are of the utmost importance and strives to provide advisory clients with complete and accurate information. Tallwoods encourages all current and prospective advisory clients to read this Brochure and to discuss any questions that may arise.

This item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. Tallwoods will also reference the date of its last annual update of its Brochure. Pursuant to SEC rules, Tallwoods will ensure that clients receive an annual updated Brochure or a summary of any material changes to this and subsequent Brochures within 120 days of the close of Tallwoods's fiscal year. The Firm may further provide other ongoing disclosure information about material changes as necessary and without charge.

Tallwoods's initial filing was on August 28, 2013 and last annual update was on March 12, 2015. This version has been updated for the following items: assets under management, new address and phone number, performance fee rates and other minor changes made for clarification and consistency.

Tallwoods has a consulting agreement with Coe Capital Management, LLC as part of the contemplation of a broader strategic relationship between the two firms. A transaction between the firms may trigger a move of Tallwoods's principal office to Illinois, and either Tallwoods continuing as an SEC registered adviser (as a relying adviser) or Federal de-registration and re-registration as a state adviser in Illinois.

Currently, Tallwoods's Brochure may be requested by contacting Michael Resnick at (312) 927-6909. The Brochure is also available free of charge from the SEC's Investment Adviser's Public Disclosure Website (www.adviserinfo.sec.gov).

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Item 4 – Advisory Business

Firm Description and Types of Advisory Services

Tallwoods Partners, LLC (the “**Firm**” or “**Tallwoods**”) was organized as a Delaware limited liability company on August 1, 2013 and started business shortly thereafter.

Tallwoods is an investment advisory firm specializing in outsourced chief investment officer services for high net worth individuals, family groups and institutional investors (including foundations and endowments). Tallwoods provides its clients with a single point of contact for all aspects of the client’s investment activities offering portfolio management services as part of each client’s overall financial plan. The Firm utilizes the expertise of the principals to construct portfolios using traditional and alternative assets. Tallwoods may advise both individual investors, as well as pooled investment vehicles created in order to aggregate client accounts so as to achieve desired diversification or to exploit special situations.

Tallwoods primarily offers advice on the following types of both publicly traded and privately held investments: fixed income; income producing investments, such as master limited partnerships, REITS, high-yielding equities, and private real estate; equity securities; private equity; certain hedge fund strategies; real assets; and commodities. Tallwoods can tailor investments and construct an allocation that is unique to each of its client’s circumstances. After analyzing a client’s needs and risk parameters, Tallwoods customizes investments and strategies that best match the particular client’s profile. Clients are able to place reasonable restrictions on the management of its account, including restrictions that prevent Tallwoods from investing in certain securities or types of securities.

Tallwoods may pursue certain strategies directly, or it may allocate to independent outside investment managers. Tallwoods’s Investment Committee meets periodically to establish asset allocation recommendations for client portfolios, subject to interim adjustment. Tallwoods will manage each client’s portfolio with reference to this allocation framework, subject to customization for specific situations or investment constraints. Tallwoods incorporates prudent diversification principles in formulating its investment strategies, and generally seeks to achieve appropriate diversification within the constraints established for each client’s account.

Principal Owners

Tallwoods’s primary owner is Valley Path Partners, LLC. Lawrence Morgenthal and Michael Resnick are the co-owners of Valley Path Partners, LLC.

Assets Under Management

As of December 31, 2015, we manage or advise \$200.4 million for clients, with \$79.2 million in assets under management and \$121.0 million in advisory-only through our consulting agreement with Coe Capital Management, LLC. Advisory-only assets are those for which we provide

consultation and advice on client portfolios to Coe Capital Management, LLC. Of the total assets under management, \$122.2 million are non-discretionary.

Item 5 – Fees and Compensation

Tallwoods's Fees

Tallwoods charges fees to its clients based on a percentage of the market value of assets under management. Fees will be individually negotiated and generally be between 0.50 % and 1.25% based on each client's assets under management. Certain accounts are charged solely a performance based fee calculated and billed annually.

Fees are generally billed quarterly, in arrears or advance as mutually agreed upon with the client. For the consulting relationship with Coe Capital Management, LLC and certain other clients Tallwoods's fee arrangement is a flat fee billed quarterly upfront. In its agreement with its clients, Tallwoods reserves the right to modify its billing practices.

With respect to payments of fees that are billed quarterly, in any partial calendar quarter the fee will be pro-rated based on the number of days the client account was open during that quarter. For the purpose of determining the fee, the market value of assets under management shall be measured on the last day of the billing quarter, subject to appropriate adjustments for inflows and outflows.

Clients may grant Tallwoods authority to deduct quarterly payments directly from the client's account(s) held by an independent custodian. Tallwoods will notify the custodian of the amount of advisory fees due for each quarter through the custodian's electronic disbursement system. The custodian will send each client a statement, at least quarterly, indicating the amounts disbursed from each account, including the amount of advisory fees paid directly to Tallwoods. Clients are urged to carefully review these reports received from the custodian and to compare those reports with reports received from Tallwoods, if any.

Tallwoods's fees are exclusive of transaction fees, brokerage commissions or other related costs and expenses payable to third parties, which shall be incurred by the client. Clients will be responsible for reasonable third-party expenses associated with the services to be provided, including, without limitation, the costs of products and services relating to research, market data, valuation and related items and courier services. Fees and expenses from third parties (including, but not limited to custodians, brokers, third party investment advisers and other third parties) relating to the making, holding and disposition of investments with respect to each account will be paid by the client, including, without limitation, administration fees, wire transfer and electronic fund fees, due diligence fees and expenses, brokerage commissions, the costs of products and services relating to transaction execution and related items, clearing and settlement charges, custodial fees, hedging expenses, bank service fees, interest expenses, expenses related to proposed investments that have not been consummated and income, withholding or transfer taxes. Mutual funds or other

investment vehicles in which a client's assets may be invested charge additional advisory fees and other fees and expenses, as described in the applicable fund's prospectus.

Item 12 further describes the factors that Tallwoods considers in selecting or recommending broker-dealers for client transactions and in determining the reasonableness of their compensation (e.g., commissions).

Underlying Manager Fees & Expenses

Where Tallwoods allocates a portion (or all) of a client's portfolio to third-party managers (through funds or separate accounts), such managers generally may charge a management fee ranging from 0.05% to 2% annually of assets under management and an annual performance-based fee or allocation ranging generally from 15 to 25% of either quarterly or annual new net investment profits. However, the exact timing and amount of such fees may vary among the various underlying managers, and will be charged at the rates described in the relevant offering and governing document(s). Performance-based fees applicable to a particular underlying fund manager will be payable on such underlying fund's separate performance. Accordingly, a multi-adviser class that invests in multiple underlying funds may be subject to performance-based fees charged by one or more such underlying funds with respect to periods in which the class itself experiences a loss.

Clients will also be responsible for any additional fees and expenses of third-party funds or separate accounts in which they are invested.

Negotiation of Fees; Waivers

Compensation payable to Tallwoods is generally not negotiable, but under certain circumstances the Adviser may, in its sole discretion, reduce or waive all or a portion of its management fees, compensation and/or expenses for a particular investor.

Management fees may not be charged, or may be charged at a reduced rate, with respect to the capital account of the principals, employees or affiliates of Tallwoods. The manner in which specific fees are calculated and charged are described in each client's investment management agreement with Tallwoods.

Termination of Advisory Agreement

Tallwoods's standard investment management agreement provides for termination of the investment management relationship between Tallwoods and the client upon 30 days' written notice. It is possible Tallwoods will negotiate different termination rights for different investors. In the event a client terminates its account or otherwise withdraws assets prior to the end of the quarter, the fee for such quarter will be pro-rated.

Item 6 – Performance Based Fees and Side by Side Management

Tallwoods has entered into incentive compensation arrangements with certain qualified clients or stand-alone investment entities. Such fees are subject to individualized negotiation with each such client or entity. Performance fees are 20% of annual profits in the account of which Tallwoods pays 70% to a sub-advisor. Tallwoods structures performance or incentive compensation arrangement subject to Section 205(a)(1) of the Advisers Act, in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3 (specifically, each client that is charged performance or incentive fees will be a “qualified client” under Rule 205-3, meaning that such client will (i) have at least a \$2 million net worth, or (ii) have at least \$1 million managed by Tallwoods or (iii) be a “qualified purchaser” under Section 2(a)(51) of the Investment Company Act of 1940, meaning that such client will have at least \$5 million net worth). In measuring client assets for the calculation of performance-based fees, Tallwoods may include both realized and unrealized capital gains and losses.

Tallwoods’s performance fees and other compensation payable to it are established by Tallwoods at the time of the opening of the relevant investment account and are negotiated with participating investors prior to making their investment. Once the relevant account has been established and Tallwoods has commenced its services, such compensation and expenses are generally not negotiable, although from time to time, Tallwoods or its related entities may enter into agreements or other arrangements with specific investors whereby such investors receive a reduction of fees or compensation otherwise payable.

Any performance-based compensation that is earned may be subject to adjustment as determined by the terms of the performance compensation arrangement entered into with each individual client or entity. The performance-based compensation received by Tallwoods creates a potential conflict between Tallwoods’s interest in earning a profit in the short term with the long-term interest of its investors. Performance-based fee arrangements may create an incentive for Tallwoods to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Tallwoods has procedures designed and implemented to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients and Minimum Requirements

Tallwoods generally provides investment advice to individuals, high net worth individuals, family offices, trusts, estates, corporations, foundations, endowments, private investment funds, and other business entities.

Tallwoods generally limits investors to persons who are “accredited investors” as defined in the Securities Act of 1933, as amended (the “**Securities Act**”), although Tallwoods reserves the right in its sole discretion to accept non-accredited investor clients.

Tallwoods typically requires a minimum initial account size of \$10,000,000, but reserves the right to accept client accounts that do not meet these minimum conditions.

Item 8 – Method of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Tallwoods strives to serve as a single point of contact for all aspects of its clients' investment activities. The Firm coordinates with various service providers, including trustees, administrators, custodians, and legal and tax advisers, among others. Tallwoods attempts to negotiate fees with service providers based on its larger buying power and best practices to achieve cost savings. In addition, Tallwoods offers resources and referrals for tax, estate planning, philanthropy and banking needs. Tallwoods monitors and aggregates all client investment assets and liabilities into one comprehensive consolidated financial statement.

Each client receives a customized investment policy statement to reflect key goals based on such client's unique objectives, risk tolerance, constraints, and tax considerations, among others. Tallwoods reviews existing portfolio holdings and creates a full implementation program. Tallwoods will proactively re-balance each client's portfolio to agreed-upon weights when an investment has moved out of pre-determined boundaries. The Firm will seek to continually source new investments to address clients' long term investment goals.

Through its principals' many years of prior institutional experience, Tallwoods has access to an extensive network to source and diligence attractive investment opportunities. When it examines potential investment managers in which to invest, Tallwoods examines, among other things, the manager's performance record, team and experience and investment process, as well as its back office support, infrastructure and service providers to confirm that controls are in place that are designed to safeguard clients assets. The due diligence process includes both direct research, such as examining underlying governing documents and offering materials, past audits, the investment team's experience, sophistication and depth, and such firm's operational processes and infrastructure, as well as indirect methods of analysis, such as background checks, reference checks, public filings, valuation confirmations, regulatory history and confirmation of third-party service providers. Not every method set forth above will be used to evaluate each manager, and Tallwoods will use those methods that it reasonably believes are appropriate based on the particular facts and circumstances of each case.

Tallwoods will review and study many types of research information, and attend investment seminars, conferences, and private meetings with research analysts, company management, and fund sponsors at which it receives market and economic information relevant to the management of client accounts. Tallwoods employs various methods of securities analysis, but the focus of the firm and its principals will be fundamental securities analysis. In evaluating opportunities, Tallwoods will

employ valuation tools such as discounted cash flow analysis, comparable company analysis, replacement cost evaluation, economic value added review, liquidation value, and several others. The Firm may employ charting, model-driven and technical and cyclical assessments of securities, as well as mean reversion strategies. Not every method set forth above will be used to evaluate each investment opportunity, and Tallwoods will use those methods that it reasonably believes are appropriate based on the particular facts and circumstances of each case.

Principal Investment Strategies

Tallwoods specializes in customized client portfolios. The Firm sources conventional and alternative investments, including various public and non-marketable equity and fixed income strategies for its clients. The investment strategies used to implement investment advice given to clients include long-term and short-term purchases, trading, short sales, margin transactions, options writing and trading, and portfolio overlays, among others. Tallwoods may also use stock index futures, interest rate caps, and other leveraged or derivative type instruments to hedge equity or fixed income positions, mitigate market risk, or otherwise manage client exposures.

A long-term purchase strategy generally assumes the financial markets will go up in the long-term, which may not be the case. There is also the risk that the segment of the market that an investor is invested in or perhaps just an investor's particular investment will go down over time, even if the overall financial markets advance. Purchasing investments long-term may involve an opportunity cost, that of "locking-up" assets that may be better utilized in the short-term for other investments.

Principal Investment Risks

No investment is free of risk. Current and prospective clients are cautioned that investments in securities involve risk of loss, including the possibility of a complete loss of the amount invested, and that they should be prepared to bear these risks. Based on the types of investments that Tallwoods may recommend, all clients should be aware of certain risk factors, which include, but are not limited to, the following:

Limited operating history: Tallwoods is a recently formed investment adviser and as such, has a limited history of operating. This may lead to operational risks and other risks not shared by more established investment managers.

Investing in securities and other financial assets involves risk of loss that clients should be prepared to bear: An investor may lose money (both principal and any earnings) or fail to make money on an investment. Tallwoods cannot guarantee that it will achieve a client's investment objectives, although believes that the investment programs and research techniques utilized by its staff will moderate this uncertainty through diligent analysis and selection of securities for investment. Tallwoods attempts to address the various risk factors to which the client's portfolio is subject in determining the sizing of the securities positions it will take and the prices it will pay for these securities.

Fixed income risk: The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. Typically, if a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.

Alternative investments risk: Tallwoods may recommend to qualified clients the use of alternative investments such as investments in real estate, private equity investments or hedge funds. Investments in such “alternative assets” may be illiquid, which may impair the ability of the client to exit such investments in times of adversity. The underlying investment funds may utilize highly speculative investment techniques, including leverage, highly concentrated portfolios, senior and subordinated securities positions, control positions and illiquid investments. The underlying investment funds may also utilize derivative instruments to attempt to hedge the risks associated with certain of their investments. Such derivative transactions may expose the assets of such investment funds to the risks of material financial loss, which may in turn adversely affect the financial results of the client. Clients who invest in such investment funds will pay Tallwoods’s fees and those of the underlying investment managers, and certain other fees and expenses of underlying investment funds in which the client invests. Investors in such investment funds may also pay carried interest, performance or incentive allocations to an underlying manager or sponsor of an underlying investment fund in which they invest.

Equity strategy risk: Tallwoods recommends equity securities to some clients. Equity securities are subject to changes in value and their values may be more volatile than other asset classes. The prices of equity securities fluctuate based on changes in a company’s financial condition and overall market and economic conditions.

Lack of liquidity of investments: The markets for instruments held in or on behalf of client accounts may have limited or no liquidity. Tallwoods does not intend to limit investments to issues of any particular minimum capitalization. Lack of liquidity could affect both the realization of quoted prices and order execution. Tallwoods may allocate client accounts to certain real estate assets or private investment vehicles for which no liquid trading market exists. Lack of liquidity would increase the risk that positions need to be liquidated at disadvantageous prices because of the inability to raise margin collateral or capital from other sources. The risk of market illiquidity is materially heightened by the use of leverage and the possibility that margin calls will need to be met in declining or disrupted market conditions.

Reliance on underlying managers: Tallwoods has no control over the day-to-day operations of any of the managers of the underlying investments or vehicles. Additionally, Tallwoods selects the underlying investments and vehicles based on each respective manager’s investment style, its decision making process, familiarity with its investment professionals and its organizational structure, and does not have knowledge of or control over the securities held by a manager. As a result, there can be no

assurance that every manager engaged by Tallwoods will invest on the basis, or achieve the returns, expected by Tallwoods.

Use of leverage by the underlying investment vehicles: The use of borrowed funds at the portfolio level or by underlying investments and vehicles can substantially improve returns attributable to a client's portfolio, but may, in certain circumstances, magnify losses. Additionally, an underlying investment or vehicle may buy or sell options, and because option premiums paid or received by an investor will be small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage, thereby also magnifying a client's returns and losses. Furthermore, an underlying investment or vehicle may trade in financial and commodity futures contracts and options, which involves low margin or premiums which may provide a large amount of leverage. As a result, a relatively small change in the price of such a security or contract can produce a disproportionately large profit or loss.

Item 9 – Disciplinary Information

Like other registered investment advisers, Tallwoods is required to disclose all material facts regarding any legal or disciplinary events that would materially impact a client's evaluation of Tallwoods or the integrity of Tallwoods's management. No events have occurred at Tallwoods that are applicable to this Item 9.

Item 10 – Other Financial Industry Activities and Affiliations

Tallwoods is not actively engaged in a business other than giving investment advice to its clients. Neither Tallwoods nor any of its management persons is registered or has an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, commodity-trading adviser, or associated person of the foregoing, and Tallwoods does not anticipate such affiliations in the future.

Tallwoods has no arrangement (other than as disclosed herein) with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships that are material to its advisory services, the funds, or underlying investors.

Tallwoods has and will continue to develop relationships with professionals who provide services it does not provide, including: legal, accounting, banking, tax preparation, insurance brokerage, investment management services and other personal services. Tallwoods believes that none of the above relationships creates a material conflict of interest with any of Tallwoods's clients or investment entities and Tallwoods does not receive compensation from these relationships.

Michael Resnick, a Principal of Tallwoods, is an employee of, and spends a minority of his time with, Coe Capital Management, LLC, with whom Tallwoods has a consulting agreement as part of

the contemplation of a broader strategic relationship between the two firms. Mr. Resnick receives compensation for this activity.

Larry Morgenthal, a Principal of Tallwoods, is a Director of the CQS Diversified Fund SPC. Mr. Morgenthal receives compensation for this activity. Should Tallwoods recommend an investment in CQS Diversified Fund SPC, it will explicitly disclose Mr. Morgenthal's relationship prior to providing a client with any materials related to the CQS Diversified Fund SPC.

Mr. Morgenthal is also a Managing Member of Soundlink Partners, LLC, a fund of hedge funds business, where he receives compensation via his ownership and where he currently spends the majority of his time.

From time to time, Tallwoods receives training, information, promotional material, meals, gifts or prize drawings from vendors and others with whom it may do business or to whom it may make referrals. At no time will Tallwoods accept any benefits, gifts or other arrangements that are conditioned on directing individual client transactions to a specific security, product or provider.

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

Code of Ethics

As fiduciaries, Tallwoods and its employees have certain legal obligations to put clients' interests ahead of their own. Tallwoods has adopted a Code of Ethics for all supervised persons of the Firm describing its high standard of business conduct and fiduciary duty to its clients. The written Code of Ethics is based on principles of openness, honesty, integrity and trust. The Code of Ethics includes provisions relating to standards of business conduct, the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, social media policies, political contribution policies and personal securities trading procedures, and the reporting of personal securities transactions, among other things. At least annually or at such times as the Code of Ethics is amended materially, all Tallwoods supervised persons must acknowledge in writing the terms of the Code of Ethics and agree to be bound by it.

In rare cases, Tallwoods's business may provide it and its employees with access to material nonpublic ("insider") information. The Code of Ethics includes a prohibition on insider trading and outlines strict policies that dictate how any such information is treated.

Employees of Tallwoods who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, suspension or dismissal. Personnel are also required to promptly report any violations of the Code of Ethics of which they become aware.

Tallwoods's clients or prospective clients may request a copy of the Firm's Code of Ethics by contacting Michael Resnick at (312) 927-6909.

Participation or Interest in Client Transactions

Tallwoods anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which it has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Tallwoods, its affiliates and/or clients, directly or indirectly, have a position of interest. Prior to investing in a private investment in which any of its principals are an indirect owner, Tallwoods will explicitly disclose this relationship to the client prior to providing any such client with materials related to such investments. Tallwoods and certain employees and affiliates of Tallwoods may invest in transactions alongside its clients, either through the general partner, as direct investors, with outside fund managers, or otherwise. A private investment fund, other fund managers or its general partners, as applicable, may exempt such person from all or a portion of the management fee, carried interest allocation or other related fees.

It is Tallwoods's policy that the Firm will not effect any principal or agency cross securities transactions for client accounts without pre-approval from the client. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Tallwoods will seek pre-approval from each affected client if it determines a principal or agency cross security transaction is in a client's best interest.

Conflicts of Interest

While Tallwoods endeavors to eliminate or mitigate any real or perceived conflicts of interest, the investment documents provided to each client may describe further what Tallwoods believes to be the most significant potential conflicts of interest associated with a recommended investment. Some of these conflicts are summarized in this Brochure; however, this summary does not attempt to describe all of the conflicts of interest associated with a prospective investment. Investors should carefully consider the conflicts of interest discussed in this Brochure, as well as those outlined in any materials provided to them.

Tallwoods will serve as investment adviser to various clients with differing needs and risk parameters. There may be a number of significant differences between the investment strategies employed by differing clients. Certain trades and entire strategies that Tallwoods utilizes on behalf of certain clients, as well as many of the positions acquired for its clients, may be materially different from the trades and strategies which Tallwoods implements on behalf of other client accounts. As a result of such differences, there may be times when one or more clients maintain contrary positions in the same securities as other Tallwoods clients (*i.e.* one client may be long in a particular security position and at the same time another client may be short the same security position, or vice versa).

There may also be times when certain clients may engage in contrary trades in the same security (*i.e.* one client may purchase securities and another may sell the same securities, or vice versa). Tallwoods intends to engage in such contrary investment activities only for legitimate investment reasons deemed consistent with the investment objectives and strategies of its clients. It is also the intention of Tallwoods to engage in such contrary investment activities in a fair and equitable manner so as to minimize, to the extent possible, the effect on its various clients.

The Principals of Tallwoods devote as much of their time to the business as in their judgment is reasonably required, but are not required to devote a particular amount of time to this business. However, the Principals may currently be involved in other business ventures or may organize or become involved in other business ventures in the future. Tallwoods clients will not share in the risks or rewards of such other ventures, which may compete with current investments made by Tallwoods clients for the time and attention of the principals and therefore create additional conflicts of interest. (See Item 10 of this Brochure for further information about outside business activities.)

When applicable, Tallwoods allocates investment opportunities amongst its clients by applying such considerations as it deems appropriate, including relative size of such clients, liquidity profile, amount of available capital, size of existing positions in the same or similar securities, leverage, and other factors. All attempts will be made to allocate investment opportunities pro rata amongst participating clients, in accordance with such clients' overall investment objectives. No client will be entitled to investment priority and a client may not necessarily participate in every investment opportunity. In cases where a limited amount of a security or other instrument is available for purchase, the allocation of such security or other instrument, as between Tallwoods's clients, may necessarily reduce the amount available for purchase by other clients.

Tallwoods's clients include persons or entities resident in various jurisdictions, including the United States, who may have conflicting investment, tax and other interests with respect to their investments. The conflicting interests of each client may relate to or arise from, among other things, the nature of investments made by such client, the structuring of securities purchases and the timing of disposition of investments. Such structuring may result in different returns being realized by different clients. As a consequence, conflicts of interest may arise in connection with decisions made by Tallwoods that may be more beneficial for one client as opposed to another, especially with respect to certain clients' tax situations.

Personal Trading

Tallwoods's employees and persons associated with Tallwoods are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Tallwoods and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of the Adviser will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions

while, at the same time, allowing employees to invest for their own accounts. Because the Adviser's Code of Ethics permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is monitored under the Code of Ethics to reasonably prevent conflicts of interest between Tallwoods and its clients. However, because of the nature of its business, the Firm has taken steps to ensure that the participation of Tallwoods's employees in these investments will not interfere with making or implementing decisions in the best interest of clients.

Item 12 – Brokerage Practices

Recommending Brokerage Firms

Tallwoods does not maintain custody of client assets that the Firm manages. Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Tallwoods typically recommends that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("**Schwab**") or Fidelity Brokerage Services, LLC ("**Fidelity**"), each a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Tallwoods is independently owned and operated and not affiliated with either of these brokers.

Schwab and Fidelity will hold assets in a brokerage account and buy and sell securities when instructed to do so. While Tallwoods recommends that clients use Schwab or Fidelity as custodian/broker, clients will decide whether to do so and open an account with the respective broker by entering into an account agreement directly with them. The Firm does not open the account for each client. Each of these brokers provides Tallwoods with access to its institutional trading and custody services, which are typically not available to their retail investors. Schwab and Fidelity's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

In addition to Schwab and Fidelity, Tallwoods may utilize the services of other broker-dealers in limited instances, as appropriate. Such instances include certain custodians preferred by a client, trades for private placements, short sales, initial public offerings, foreign securities and thinly traded securities.

Selection of Brokers/Custodians

Tallwoods uses custodians/brokers who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. Tallwoods considers a wide range of factors when selecting a broker or custodian, including, among others: combination of transaction execution services along with asset custody services (generally without a separate fee for custody); capability to execute, clear and settle trades (buy and sell securities for a client account); capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.); breadth of investment products made available

(stocks, bonds, mutual funds, exchange traded funds, etc.); availability of investment research and tools that assist Tallwoods in making investment decisions; quality of services; competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them; reputation, financial strength and stability of the provider; the provider's prior service to Tallwoods and its other clients; and the availability of other products and services that benefit Tallwoods.

Directed Brokerage

Tallwoods does not direct or require its clients to use a specified broker-dealer for transactions in their accounts. In some cases, clients have directed Tallwoods to use specified broker-dealers for all or a percentage of the portfolio transactions in their accounts. In such a case, Tallwoods is not obligated to, and will generally not, solicit competitive bids for each transaction or seek the lowest commission rates for the client, as the commission rates have typically been pre-negotiated between the client and the designated broker-dealer ("directed broker"). Since Tallwoods has not negotiated the commission rate and may not be able to obtain volume discounts, the commission rate charged by the directed broker may be higher than what the Firm could receive from another broker-dealer. In addition, the client may be unable to obtain the most favorable price on transactions executed by Tallwoods as a result of Tallwoods's inability to aggregate/bunch the trades from this account with other client trades. Furthermore, the client may not be able to participate in the allocation of a security of limited availability. In some situations, Tallwoods may not execute a client's securities transactions with its directed broker until non-directed brokerage orders are completed. Accordingly, clients who direct commissions to specified broker-dealers may not generate returns equal to clients that do not direct commissions. Clients who direct brokerage should understand that similar brokerage services may be obtained from other broker-dealers at lower costs and possibly with more favorable execution.

Tallwoods reserves the right to reject or limit client requests for directed brokerage, and clients may be charged a premium for such arrangements.

Custody and Brokerage Costs

Commission rates and securities transaction fees charged to effect a client's transactions are established by the executing broker-dealer. Tallwoods has the authority to negotiate commission rates charged by certain broker-dealers, such as Schwab and Fidelity. Although Tallwoods believes that the commission rates it negotiated are competitive, they may not be the lowest commission rates charged by Schwab and Fidelity.

For the Tallwoods's client accounts maintained in its custody, Schwab and Fidelity generally do not charge separately for custody, but are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or Fidelity. In addition to commissions or asset-based fees, Schwab and Fidelity may charge clients a flat dollar amount as a "prime broker" or a "trade away" fee for each trade that Tallwoods has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are

settled into a client's Schwab or Fidelity account, as applicable. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. Because of this, in order to minimize client trading costs, Tallwoods generally has Schwab or Fidelity execute all trades for those client accounts held with each.

Products and Services Available to Tallwoods

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like Tallwoods. Schwab provides Tallwoods and Tallwoods's clients with access to its institutional brokerage – trading, custody, reporting and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help Tallwoods manage or administer clients' accounts while others help manage and grow the business. Schwab's support services are generally available on an unsolicited basis (Tallwoods is not required to request such services) and at no charge to Tallwoods as long as Tallwoods keeps a total of at least \$10 million of client assets in accounts at Schwab. If Tallwoods has less than \$10 million in client assets at Schwab, it may charge quarterly service fees. The following is a more detailed description of Schwab's support services:

Services that Benefit the Client. Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which might not otherwise be accessible or that would require a significantly higher minimum initial investment by clients. Schwab's services described in this paragraph generally benefit clients and their accounts.

Services that May Not Directly Benefit the Client. Schwab also makes available to Tallwoods other products and services that benefit Tallwoods but may not directly benefit client accounts. These products and services assist Tallwoods in managing and administering client accounts. They include investment research, both Schwab's own and that of third parties. Tallwoods may use this research to service all or some substantial number of client accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that: provide access to client account data (such as duplicate trade confirmations and account statements); facilitate trade execution and allocate aggregated trade orders for multiple client accounts; provide pricing and other market data; facilitate payment of Tallwoods's fees from client accounts; and assist with back office functions, recordkeeping and client reporting.

Services that Generally Benefit Only Tallwoods. Schwab also offers other services intended to help Tallwoods manage and further develop its business enterprise. These services include: educational conferences and events; technology, compliance, legal and business consulting; publications and conferences on practice management and business succession; and access to employee benefit providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Tallwoods. Schwab may also discount or waive fees for some of

these services or pay all or a part of a third party's fees. Schwab may also provide Tallwoods with other benefits such as occasional business entertainment of the Firm's personnel.

Tallwoods's Interest in Schwab's Services

The availability of these services from Schwab benefits Tallwoods because it does not have to produce or purchase them. Tallwoods does not have to pay for Schwab's services so long as it keeps a total of at least \$10 million of client assets in accounts at Schwab. The \$10 million minimum may give Tallwoods an incentive to recommend that a client maintain an account with Schwab based on Tallwoods's interest in receiving Schwab's services that benefit its business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. Tallwoods believes, however, that its selection of Schwab a custodian and broker is in the best interest of its clients. It is primarily supported by the scope, quality and price of Schwab's services (based on factors discussed above) and not Schwab's services that benefit only Tallwoods. The Firm does not believe that maintaining at least \$10 million in client assets at Schwab in order to avoid paying Schwab quarterly services presents a material conflict of interest.

Best Execution

In selecting a broker or dealer, Tallwoods may consider, among other things, the broker or dealer's execution capabilities, reputation and access to the markets for the securities being traded. Other considerations include, among other things, the amount of transaction costs, the quality of execution, the expertise in particular markets, the experience and financial stability of the firm, the availability of stock loans, the breadth of investment products made available, the quality of service, the familiarity both with investment practices generally and the techniques employed by Tallwoods, the research and analytic services and clearing and settlement capabilities, the capability to facilitate transfers and payments to and from accounts, and the availability of other products and services, subject at all times to principles of best execution. Tallwoods generally will seek competitive commission rates but will not necessarily attempt to obtain the lowest possible commission for transactions for a client account.

Tallwoods will arrange for the execution of securities transactions for each client account through brokers or dealers that Tallwoods reasonably believes will provide "best execution." Tallwoods seeks to execute client transactions in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. The Firm has evaluated the full range of brokerage services offered by Schwab and Fidelity and considers these brokers to have reliable execution capabilities compared to other comparable brokers. Based on these factors, Tallwoods believes that Schwab and Fidelity provide the best price and execution to its clients compared to other broker-dealers that offer institutional advisory platforms, taking into account all relevant circumstances and considerations. If a client establishes a brokerage/custodial account with one of these brokers, then Tallwoods will place most orders pursuant to its investment determinations on behalf of the client's portfolio through the custodial broker, even though the client potentially could

obtain a more favorable net price and execution from another broker-dealer in particular transactions or from a discount broker in general. While Tallwoods believes Schwab and Fidelity's transaction rates to be competitive, transactions may not always be executed at the lowest available commission rate.

Soft Dollars

Section 28(e) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), provides a "safe harbor" to investment managers who use commission dollars of their advisory accounts ("soft-dollar" arrangements) to obtain investment research, brokerage and other services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities, provided that the amount of any increased commission costs on account of such research or other services is reasonable relative to the value of the services so provided. Tallwoods will utilize allocations of commission dollars solely to pay for (i) certain expenses which would otherwise be borne by its clients (and which therefore do not involve the conflict of interest issues normally presented by "soft dollar" arrangements covered by Section 28(e)) and/or (ii) products or services that qualify as "research and brokerage services," within the meaning of Section 28(e), pursuant to arrangements that meet the other requirements of that section. Services, other than research, obtained by the use of commissions arising from client transactions will only be used for the benefit of Tallwoods's clients, and such services will be limited to services that would otherwise constitute an expense borne by its clients. As of the date of this filing, Tallwoods has not entered into any soft dollar arrangements.

Order Aggregation

As a matter of general policy and practice, Tallwoods will aggregate transactions for its advisory clients where practicable, except generally in the case of alternative investments. Aggregating transactions allows the trading of aggregate blocks of securities or assets from multiple client accounts. Generally, aggregating client transactions allows Tallwoods to execute transactions in a more timely, efficient and equitable manner and to seek best execution and/or to reduce commission charges for clients. The Firm may apportion shares to participating clients in proportionate percentage amounts. Additionally, Tallwoods may aggregate trades of its advisory personnel with those of clients so that Tallwoods personnel participate alongside clients in such trades. In general, when managing capital, Tallwoods will endeavor to make all investment allocations in a manner that it considers to be the most equitable to all managed entities and clients; all participants in an aggregated trade generally will be allocated securities on a pro rata, average price per share basis.

When and where possible, the Firm will aggregate transactions for all clients. Where clients have directed Tallwoods to use a particular firm for its portfolio transactions, their transactions cannot be aggregated with other non-directed client transactions. In such instances, Tallwoods may not be in a position where it can freely negotiate commission rates or spread, or select broker-dealers on the basis of best price and execution. As a result, directed brokerage transactions may result in higher

commissions, greater spreads, or less favorable net prices than would be the case if Tallwoods were authorized to select brokers and dealers to execute transactions for the client's account. However, Tallwoods will generally aggregate client transactions in directed brokerage arrangements when clients have directed Tallwoods to use the same firm.

Item 13 – Review of Accounts

Tallwoods will review each client account at least quarterly or more often if investment conditions require. Accounts are reviewed by Larry Morgenthal and Michael Resnick, or their designees, who will also monitor economic, investment and market conditions on an on-going basis that might dictate changes in strategy or portfolio holdings. Tallwoods will attempt to contact each client at least annually and will meet with each client in person, as needed, to review investment needs and to provide economic analysis, performance review and other pertinent information.

Tallwoods furnishes quarterly written reports to clients showing all investment positions and the value of the clients' account at the end of each calendar quarter, all funds held for the client as well as certain cash transactions in the account for such quarter. Clients receive copies of confirmations from the custodian for all transactions that occur with such custodian. Clients also receive monthly custodial statements providing a summary of account transactions, with the exception of qualified accounts, such as IRAs with no activity, which may receive quarterly statements from the custodian. These statements are sent either electronically via email or to the postal address the client has provided to the custodian. Advisory clients should carefully review their account statements promptly upon receipt and are urged to compare the custodian's account statements received from their qualified custodian with the periodic reports received from Tallwoods. Clients that invest with underlying alternative managers or products will receive statements directly from these managers.

With respect to investments in alternative managers, clients generally receive at least quarterly a report reflecting the estimated NAV of such client's capital account as of the end of the month directly from the underlying manager.

Item 14 – Client Referrals and Other Compensation

As of the date of this filing, Tallwoods does not use third-party marketers to assist in its fundraising efforts. Tallwoods may, from time to time, in the future enter into solicitation agreements pursuant to which it compensates one or more third parties for client referrals that will result in the provision of investment advisory services by Tallwoods. Any cash solicitation agreements will comply with Rule 206(4)-3 of the Advisers Act.

Tallwoods may receive an economic benefit from Schwab and Fidelity in the form of the support products and services they make available to Tallwoods and other independent investment advisers that have their clients maintain accounts at Schwab or Fidelity. These products and services, how they benefit Tallwoods, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability to the Firm of Schwab's and Fidelity's products and services is

not based on Tallwoods giving particular investment advice, such as buying particular securities for clients.

Item 15 – Custody

Tallwoods does not maintain physical custody of client assets, which are held by Schwab, Fidelity or another firm as custodians. Clients either send their capital contributions directly to the appropriate qualified custodian or make their contributions payable to the custodian for the benefit of their respective account.

Tallwoods is deemed to have custody of client assets if such client authorizes Tallwoods to instruct Schwab or Fidelity to deduct advisory fees directly from the client's Schwab or Fidelity account. Schwab and Fidelity, and any other broker or dealer selected by the client, maintain actual custody of client assets.

Investors receive account statements from their custodian at least quarterly. These statements are sent either electronically via email or to the postal address the client has provided to the custodian. Advisory clients should carefully review their account statements promptly upon receipt and are urged to compare the custodian's account statements received from their qualified custodian with the periodic reports received from Tallwoods. Clients that invest with underlying alternative managers or products will receive statements directly from these managers.

Item 16 – Investment Discretion

Discretionary Trading Authority

Tallwoods generally will be retained on a fully discretionary basis and will be authorized to determine and direct execution of all aspects related to portfolio transactions pursuant to the terms of the investment management agreement and other subscription documents executed between Tallwoods and each client. The terms upon which Tallwoods serves as an investment manager are established at the time each client retains Tallwoods as their investment manager.

Unless otherwise set forth in writing between Tallwoods and the client, Tallwoods is not required to contact a client prior to transacting any business once such client executes these documents.

Limited Power of Attorney

Clients who have granted discretionary trading authority to Tallwoods are required to grant a "limited power of attorney" to Tallwoods over clients' custodial account for purposes of trading and fee deduction.

Item 17 – Voting Client Securities

Tallwoods shall not be responsible for voting with respect to securities held in a client's account for which a vote is requested.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide certain financial information or disclosures about the adviser's financial condition. Tallwoods has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.