

**Item 1 – Cover Page**

**SALTBOX II, LLC**

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This Brochure provides information about the qualifications and business practices of Saltbox Capital. If you have any questions about the contents of this Brochure, please contact us at (201) 994-7284 or [info@pathstone.com](mailto:info@pathstone.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.

Saltbox Capital is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Saltbox Capital also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Saltbox Capital is 281826.

## **Item 2 – Material Changes**

This Firm is submitting this Disclosure Brochure in connection with its initial application for registration as an investment adviser with the United States Securities and Exchange Commission. We anticipate revising this Disclosure Brochure in connection with the Firm beginning its operations after obtaining regulatory approval. The Firm will submit the revised form of Disclosure Brochure to regulatory authorities as may be required.

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#### **Item 4 – Advisory Business**

Saltbox II, LLC (“Saltbox”, the “Firm”, “we” or “us”) is owned by Pathstone Holdings, LLC, a Delaware limited liability company (“Pathstone”), which also serves as Managing Member. Pathstone is owned principally by PF Holdings, LLC (“Holdings”). Holdings is owned equally by Steven Braverman and Allan Zachariah. The Firm’s Chief Compliance Officer is Matthew Sher. The Firm was formed in September 2015 and submitted its initial application for investment adviser registration in October 2015.

##### **Types of Advisory Services Offered**

Shortly after obtaining regulatory approval, it is anticipated that Saltbox will become the General Partner to one investment partnership that is a fund of hedge funds (the “Partnership”). Saltbox will provide investment supervisory services to the Partnership in its position as General Partner. After becoming investment adviser to the Partnership, Saltbox will not have and will not seek any clients other than the Partnership, and it will not offer any products, services or advice, other than acting as the General Partner of the Partnership.

##### **Tailoring Advisory Services to Individual Client Needs**

Saltbox will provide services to the Partnership in accordance with the Partnership’s objectives and investment approach described in the Partnership’s private placement memorandum. Saltbox will not have and will not seek any client other than the Partnership. The Partnership may impose reasonable restrictions on Saltbox’s management as agreed upon by the Partnership and Saltbox.

##### **Wrap Fee Programs**

The SEC defines a wrap fee program as any advisory program under which a specified fee or fees not based directly upon transactions in a client’s account is charged for investment advisory services and the execution of client transactions. Saltbox will not offer or participate in any wrap fee program.

##### **Managing Client Assets**

Saltbox does not have any clients as of the date of this filing and does not have any assets under management. Once becoming General Partner to the Partnership, Saltbox’s only client will be the Partnership.

#### **Item 5 – Fees and Compensation**

##### **Compensation and Fee Schedule**

Saltbox’s fees to the Partnership will be as agreed upon by the Partnership and Saltbox pursuant to the limited partnership agreement that is signed between the parties (the “LP Agreement”). Saltbox’s fee to the Partnership will not be negotiable.

##### **Fee Billing and Collection**

Saltbox will bill and collect its fee from the Partnership as provided in the LP Agreement.

##### **Other Types of Fees or Expenses The Client May Pay**

Saltbox’s fees will be the only compensation that the Partnership will pay to Saltbox. However, investors in the Partnership will pay or bear other expenses in connection with their investment, which are described in the Partnership’s confidential private placement memorandum and generally consist of their share of administrative, accounting, tax and legal expenses incurred directly by the Partnership, as well as similar or additional expenses (including profit

participations commonly referred to as carried interests) incurred by the funds in which the Partnership invests, which Partnership investors will bear indirectly. Please also see the discussion of brokerage in Item 12 of this brochure for more information about certain trading costs.

#### **Advance Fee Payment Requirements.**

Saltbox's fees will not be payable in advance.

#### **Absence of Compensation from Selling Securities or Investment Products**

We will not receive any compensation from selling securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

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

A “Performance-Based Fee” is an investment advisory fee based on a share of capital gains on, or capital appreciation of, client assets. A fee that is based on a percentage of assets managed by an investment adviser is not a performance-based fee. We will not charge any performance-based fee. If the General Partner or manager of a fund in which the Partnership invests imposes a performance-based fee, we would not receive any portion of, or otherwise benefit from, that fee.

“Side by Side Management,” describes a situation in which an investment adviser manages some accounts that are subject to a performance-based fee and other accounts that are charged another type of fee, such as an hourly, flat, or asset-based fee. Because we will not charge a performance-based fee to any client, we will not engage in side-by-side management.

#### **Item 7 – Types of Clients**

Our only advisory function will be to serve as the General Partner of the Partnership.

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

##### **Methods of Analysis; Investment Strategies:**

Our approach to investment advice will be based on seeking, on behalf of the Partnership, investment funds that we will consider likely to provide returns in excess of the broad equity market over a market cycle. We will seek to identify these funds through quantitative manager analysis including risk-return, detailed return, detailed risk, and assets under management analysis. Additionally, we will utilize qualitative manager analysis, due diligence, and portfolio construction analysis to determine the allocation of investment funds.

##### **Risk of Loss:**

***Investing in any type of security involves risk of loss that investors should be prepared to bear, including the possible loss of an investor's entire investment.***

##### **Significant Investment Strategies and Material Risks**

Our return and risk expectations will be derived from historical market statistics and from our understanding of how the then-current market environment may affect expected returns and potential gains or losses going forward. If markets, funds or managers behave in the future in a materially different manner than they have in the past, or if our understanding of the likely effects of the current market environment on future returns or risks is wrong, then investors in the Partnership may be subject to asset allocations or manager selections that produce disappointing returns, possibly including the loss of all or a substantial portion of their capital.

## **Particular Types of Securities and Associated Risks**

The Partnership invests primarily in other private funds that, in turn, may invest in stocks, fixed income securities, and other investments. We will continue to manage the Partnership in accordance with its investment objectives.

The primary risks associated with stock investments is the loss of value, or the failure to achieve the expected total return, as a result of company-specific factors, or events or developments that affect the economic sector in which a company does business or the entire market, including but not limited to possible substantial changes in political, geographic, or currency circumstances. Similarly, the primary risk associated with fixed-income investments is the loss of value, or the failure to achieve the expected total return, as a result of company-specific factors (such as adverse events affecting its particular business operations that result in a failure of the company to pay its debt obligations) or market factors (such as a rise in interest rates and/or inflation that reduces the real and/or absolute value of the interest and/or principal the investor receives).

The Partnership itself may invest in hedge funds which potentially involve additional risks to the extent they use certain investment techniques (such as leverage or certain derivatives) in a way that can increase the risk or amount of loss. In addition, they are less liquid and can sometimes be less transparent than mutual funds and many other investments. Many such funds also have the ability to suspend or limit redemption rights during times of extreme market conditions or for other reasons, which can result in potentially lengthy delays in recovering investment capital. There may also be a greater risk of loss due to the potential for fraud or other illegal conduct by the hedge fund's General Partners or other managers, which may be harder to detect as a result of their structure and relative lack of regulatory supervision, in contrast to mutual funds. We are mindful of these risks and will conduct considerable due diligence reviews of the funds owned by the Partnership, but we cannot guarantee that any due diligence process will be sufficient to prevent or detect misrepresentation, fraud or abuse on the part of the investment fund or its managers, partners, members, or other service providers; as a result, investors in the Partnership are exposed to the risk that it may lose its entire investment in any such hedge fund or other privately-offered investment through theft or other illegal conduct by the fund sponsor, General Partner, or manager, as well as, of course, through poor investment decisions made by any such person.

Investments in the Partnership itself may involve additional risks to the investor. Each investor is advised to review the Partnership's Confidential Private Offering Memorandum and to consult with their tax advisor and/or attorney to weigh the risk of any investment.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Saltbox or the integrity of Saltbox's management. *Saltbox has no information applicable to this Item.*

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

#### **Absence of Certain Broker-Dealer Registrations**

Neither we nor any of our management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

#### **Absence of Certain Futures or Commodity-Related Registrations**

Neither we nor any of our management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of any of the foregoing entities.

## **Certain Relationships with Related Persons**

This item discloses relationships or arrangements that are material to our advisory business or to our clients and that are between us (or any of our management persons) and certain types of “related persons” in various financial, banking, legal, accounting, insurance, or other specified types of businesses. A “related person” is an “advisory affiliate” and any person that is under common control with us. An “advisory affiliate” is (1) all of our officers, partners, directors, or persons performing similar functions; (2) all persons directly or indirectly controlling or controlled by us; and (3) all of our current employees, other than employees performing only clerical, administrative, support or similar functions.

Related persons with such relationships or arrangements will be the Partnership, which we will control as General Partner and Pathstone Family Office (“PFO”), an SEC registered investment adviser that is under common control with Saltbox and with which Saltbox shares its principal office and place of business. We anticipate that PFO will provide to Saltbox, for compensation, investment research services, due diligence, and administrative support to assist Saltbox in fulfilling its responsibilities as the General Partner of the Partnership. Although we do not expect PFO to have a direct contractual relationship with the Partnership, any fees that the Partnership may pay to Saltbox as General Partner are the source of any compensation payments Saltbox may make to PFO for the services it provides to Saltbox. We also anticipate that certain PFO clients may be investors in the Partnership and that certain Partnership investors may become clients of PFO.

Because of the foregoing relationship between PFO and Saltbox, PFO has a financial interest in Saltbox. However, we will not include in any fees that PFO might charge Saltbox any carried interest or other profit participation and those fees will be intended only to cover PFO’s estimated costs in providing services to us. Further, in the event that any Partnership investors are also PFO clients, we may benefit from limited partnership investments by PFO clients because a portion of our compensation as General Partner will be, unless waived, determined with reference to the value of the Partnership’s assets attributable to those investors. These relationships, including the associated costs, will be described in detail in the Partnership materials provided to Partnership investors. The Partnership is not available to the public.

We anticipate that in the event that (1) the Partnership intends to invest in a particular hedge fund; (2) PFO’s clients also desire to invest directly in the same hedge fund; and (3) that hedge fund is unwilling to accept subscriptions equal to the aggregate amount desired to be invested by these clients and the fund, then it is anticipated that the amounts desired to be invested referred to in clauses (1) and (2) will be proportionately reduced to equal, in total, the subscription amount the hedge fund is willing to accept. We also anticipate that in the event that this proportionate reduction in investment amounts results in an account receiving such a small allocation that it does not satisfy the subscription minimum that a hedge fund is willing to accept, only those accounts that meet such minimum amount will be recommended to invest in that hedge fund. In cases where the investment opportunity is so limited that a proportionate reduction in investment amounts is not feasible, we anticipate that the opportunity will be allocated in any manner PFO deems appropriate under the circumstances.

We do not recommend other investment advisers. We do not receive compensation, directly or indirectly, from those funds in which the Partnership invests or anyone associated with them, or anyone else except for the fees we charge the Partnership. We do not have other business relationships with those funds or persons associated with them or any other investment advisors that create conflicts of interest, except our affiliation with, and investments in the Partnership by the clients of, PFO (if any), as described in the section immediately above.

**Notwithstanding the foregoing, any conflicts of interest relating to PFO, and further information concerning PFO is more fully described in the PFO Form ADV.**

**Any conflicts of interest resulting from investments in the Partnership shall be fully described in its offering materials, which are provided to prospective investors before they invest in the Partnership.**

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

Pursuant to SEC rule 204A-1, Saltbox 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 client. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Saltbox must comply with and acknowledge the terms of the Code of Ethics annually, or as amended.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Saltbox will not interfere with (i) making decisions in the best interest of its client and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Saltbox's client. In addition, the Code of Ethics requires pre-clearance of certain transactions and discusses the maintenance of a Restricted List of securities employees are prohibited from investing in. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as the client, there is a possibility that employees might benefit from market activity by the client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics and is designed to reasonably prevent conflicts of interest between Saltbox and its client.

Saltbox's clients or prospective client may request a copy of the firm's Code of Ethics by contacting Matthew Sher, Chief Compliance Officer.

Saltbox anticipates that, in appropriate circumstances, consistent with its client's investment objectives, it will cause accounts over which Saltbox has management authority to effect, and will recommend to its client, the purchase or sale of securities in which Saltbox and/or its client, directly or indirectly, have a position of interest. Saltbox's employees and persons associated with Saltbox are required to follow Saltbox's Code of Ethics. Subject to satisfying this policy and applicable laws, we anticipate that officers, directors and employees of Saltbox may trade for their own accounts in securities which are recommended to and/or purchased for Saltbox's client.

#### **Item 12 – Brokerage Practices**

##### **Description of Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions and Determining the Reasonableness of their Compensation (e.g., commissions)**

We do not recommend broker-dealers for client transactions. As General Partner of the Partnership, we would be responsible for selecting any broker or dealer to be used to buy or sell a publicly-traded security for its account. However, the Partnership will not buy publicly-traded securities other than possibly mutual funds, and it is unlikely that it would acquire (and therefore need to consider selling) any non-mutual fund securities. If the Partnership does acquire any non-mutual fund securities and chooses to sell them, we would choose a broker-dealer based on our



knowledge of available execution cost and quality, including the relevant knowledge, if any, of personnel of our affiliate, PFO.

1. Research or Other Soft Dollar Benefits (Products or Services Other than Execution Received from a Broker-Dealer or Other Third Party in connection with Client Securities Transactions)

We will not receive research or other products or services other than execution from any broker-dealer or other third party in connection with securities transactions effected for the Partnership.

2. Considerations Regarding Recommending Brokers or Directing Transactions in Exchange for Receiving Client Referrals

It would be a conflict of interest for an investment adviser to select or recommend a broker-dealer, or direct a particular transaction to a broker-dealer, if the adviser receives or expects to receive client referrals from that broker-dealer. We do not expect to receive client referrals from any broker-dealer, and accordingly we would not consider the possibility of such a referral if we were ever called upon to select a broker-dealer or direct any transaction to a broker-dealer for the Partnership.

3. Directed Brokerage

We will not have any client other than the Partnership, and therefore we do not permit, recommend, request or require any client to direct us to execute transactions through a specified broker dealer. Further, due to the nature of the Partnership's investments, it is not expected that transactions effected for the Partnership would generally require the use of a broker-dealer.

**Absence of Aggregation of Purchase or Sale Orders for Various Client Accounts**

As described above, we will not have clients other than the Partnership and it generally will not effect transactions in publicly-traded securities. As a result, we cannot and do not aggregate the purchase or sale of securities for various client accounts.

**Item 13 – Review of Accounts**

**Periodic Reviews**

We will not have clients other than the Partnership. We anticipate that PFO and Saltbox personnel will review the Partnership's investment portfolio, on at least a monthly basis. The performance of each manager in the Partnership's portfolio will also be reviewed on a regular basis by conducting research, statistical comparisons, and other related activities. The periodic review process will consider each manager's absolute performance and performance relative to appropriate benchmarks and evaluates the extent to which the manager's performance in relation to the amount of risk incurred is and remains appropriate in light of the Partnership's objectives.

**Non-Periodic Reviews**

A non-periodic review may be triggered if, for performance or other reasons, we conclude one manager should be replaced with a different manager, a new manager should be incorporated into the portfolio, an existing manager terminates a fund, or we perceive an exceptional opportunity or risk in the current market environment that should result in a change in the current allocation among managers. Other circumstances not currently anticipated may also make a non-periodic review appropriate, in the sole judgment of Saltbox.

**Content and Frequency of Regular Client Reports**

We will not have any clients other than the Partnership. We will continue the Partnership's normal practice to provide audited financial statements to each limited partner as soon as practicable after the end of each calendar year, which may take as long as 180 days after year-end.

Quarterly written, unaudited reports to limited partners typically will also contain our explanation and assessment of the Partnership's performance in light of its objectives. The Partnership's administrator also makes monthly account statements for the Partnership available to its investors and we will continue that practice.

Valuations in these statements and reports will largely be based on valuations reported to the Partnership by the General Partners or managers of the hedge funds in which it invests and may not be reliable due to the absence of available market price quotes. We will not be able to, and we will not, verify the valuations for such investments.

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

We do not anticipate receiving or paying any compensation for client referrals or receiving any other compensation other than as described in this disclosure brochure.

#### **Item 15 – Custody**

By virtue of serving as General Partner of the Partnership, we will be deemed to have custody of its assets. Compliance with applicable custody rules will require that the Partnership be audited each year by a qualified accounting firm and that audited financial statements be provided to its partners. This audit is a Partnership expense, the costs of which will be borne by its investors in accordance with their proportionate investment in the Partnership.

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

As the General Partner of the Partnership, we will have discretionary authority to manage (e.g., buy or sell) its investments. Limited partners are not permitted to exercise or limit this authority, which will be exercised by us in accordance with the provisions of the limited partnership agreement. By signing the Partnership's subscription documents, investors authorize us, among other things, to exercise this authority.

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

As General Partner of the Partnership, we will have the sole authority to vote proxies on behalf of the Partnership, and we have adopted written policies and procedures regarding such votes. It is not anticipated that the Partnership will, except as described below, own individual voting securities other than limited partnership (or similar) interests in underlying hedge funds. With respect to such funds, we anticipate that we will generally vote against any proposed fee increases, extensions of lock-up periods, or other provisions that limit or reduce investor rights or might favor the interests of other investors over the interests of the Partnership.

The Partnership may also own investment company (e.g., mutual fund) shares, generally for cash management or liquidity purposes, or securities distributed to it by an underlying hedge fund. In the event that we decide to vote such shares (rather than, prior to a scheduled vote, disposing of any shares that were intended to be held only on a temporary basis), we will use our best judgment and will evaluate each issue presented for a vote on a case by case basis. Since its inception, the Partnership has not owned any individual securities, other than partnership interests in hedge funds, or any investment company shares, other than shares of money market mutual funds.

We have a substantial investment in the Partnership as General Partner, and we have no client other than the Partnership. Consequently, we do not anticipate that there would be a conflict of interest between us and any limited partner or client with respect to voting securities owned by the Partnership.

A copy of our policies and procedures regarding proxy voting will be furnished to any partner of the Partnership upon request. Any partner will also, upon request, be informed about how we have

voted securities owned by the Partnership during the partner's period of investment in the Partnership.

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

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Saltbox's financial condition. Saltbox 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.