

# SCP Investment, LP Part 2A of Form ADV Brochure

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This brochure provides information about the qualifications and business practices of SCP Investment, LP (“SCP”). If you have any questions about the contents of this brochure, please contact us at (925) 253-1809. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

SCP is registered with the SEC as an investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about SCP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

There have been no material changes to this ADV Part 2A.

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## **Item 4. Advisory Business**

### Firm History and Principal Owners

SCP Investment, LP (“SCP”) is a Delaware limited partnership that was founded in 2016 by Sanford J. Colen and Kara Dille. Its general partner is SC Partners Investment, LLC (the “General Partner”), a Delaware limited liability company. Mr. Colen is the principal owner and Chief Investment Officer of the General Partner, and Ms. Dille is the Chief Operating Officer and Chief Compliance Officer. Mr. Colen is the Funds’ portfolio manager, and its performance depends, to a great extent, on his ability and experience in making investment decisions. As of July 1, 2016, SCP managed approximately \$119 million on a discretionary basis on behalf of two private investment funds, structured as a master fund and feeder fund (the “Funds” or the “Clients”).

### Services Provided

SCP only manages assets on a discretionary basis.

The Funds invest primarily in limited partnerships and other investment vehicles and accounts managed by professional investment managers selected and monitored by SCP, but are authorized to enter into any type of investment transaction that SCP deems appropriate under the terms of the Funds’ limited partnership agreements.

The investors in the Funds have no opportunity to select or evaluate any Fund investments or strategies. SCP selects all Fund investments and strategies.

## **Item 5. Fees and Compensation**

Compensation to be provided to SCP is negotiable and varies but typically consists of the following:

### Investment Management Fee

SCP typically charges an annual management fee of .9% of assets under management. The management fee has been reduced for certain investors, affiliates, employees, and certain family members.

The management fee is generally payable in quarterly installments at the beginning of the quarter based on the net market value of the investor’s account at the close of the market on the date the fee accrues and becomes payable. The annual management fee is generally subject to waiver or reduction by SCP in its sole discretion.

### General Information on Fees

SCP typically deducts management fees directly from investor accounts but may bill an investor for such amounts on request.

Due to the Funds' investments in limited partnerships and other investment vehicles and accounts ("Investee Funds"), the Funds may also pay, indirectly, investment management fees to the managers ("Managers") of those Investee Funds.

SCP believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees.

Investors should review the Funds' private placement memoranda and governing documents for a more detailed description of any applicable management fees, performance fees/allocations and expenses.

### Expenses

The Funds are responsible for its own costs, which may include the following:

- (i) third-party legal and accounting fees and expenses associated with subsequent offerings and sales of interests in the Funds (including costs and expenses associated with creating any new class of interests, or otherwise changing the structure or any term of the applicable Fund's partnership agreement to accommodate any investor);
- (ii) trading costs and expenses (such as, for example, brokerage commissions and charges, expenses related to short sales, option premiums, clearing and settlement charges, custodial and service fees, and higher commission charges related to outsourced trading services);
- (iii) interest and commitment fees on loans and debit balances (on margin or otherwise) and other obligations of the applicable Fund;
- (iv) due diligence costs and expenses (including research conference fees) associated with investigating securities markets or issuers of securities;
- (v) costs and expenses of negotiating and entering into contracts and arrangements and making investments (such as brokerage, legal, accounting, investment banking, appraisal and other professional and consulting fees and expenses arising from particular investments and potential investments) and similar expenses in terminating those contracts and arrangements and disposing of the applicable Fund's investments;
- (vi) costs and expenses incurred in attempting to protect or enhance the value of the applicable Fund's investments (including the costs and expenses of instituting and defending lawsuits or engaging in proxy contests or tender offers);
- (vii) income taxes, withholding taxes, transfer taxes and other governmental and self-regulatory agency charges and duties;
- (viii) fees and charges of custodians, clearing agencies and banks;

- (ix) third-party bookkeeping, recordkeeping, legal, accounting, auditing, tax preparation and other professional, expert and consulting fees and expenses arising in connection with the applicable Fund's activities (including (1) fees and expenses of counsel for the Fund, the General Partner or one or more officers or partners of the General Partner arising in connection with the Fund's activities, and (2) research and legal costs and expenses related to investigative due diligence on prospective portfolio holdings);
- (x) fees and expenses related to regulatory reporting for the applicable Fund, the General Partner or their affiliates relating to the Fund (including, but not limited to, filings under sections 13 and 16 of the Securities Exchange Act of 1934, as amended, and Form PF), such as consulting and legal fees, software, license, data production and implementation fees, and related charges;
- (xi) costs of contracts related to on-line research, trade order management systems, risk reporting, portfolio management, and quotation services and equipment (including computer hardware and software related thereto, such as is provided by Bloomberg, Reuters or similar providers);
- (xii) fees and expenses of the applicable Fund's administrator or any similar service provider;
- (xiii) fees, costs and expenses of communicating with investors (including, without limitation, the costs of establishing and maintaining a website for such communications);
- (xiv) costs and expenses of investing the applicable Fund's assets indirectly through managed funds, including all management fees and performance-based compensation charged by managers of such managed funds, and all other costs and expenses of such investments;
- (xv) if the applicable Fund invests directly through a master fund, the costs and expenses of investing the Fund's assets indirectly through such master fund, including the Fund's proportionate share of the costs and expenses of organizing and operating such a master fund;
- (xvi) to the extent permitted by applicable law, premiums and other costs and expenses of insurance policies as the General Partner considers appropriate, insuring the applicable Fund, the General Partner and their affiliates against liabilities that may arise in connection with the business or management of the Fund;
- (xvii) costs and expenses of proxy voting and class action services;
- (xviii) any contingencies for which the General Partner determines reserves are required;  
and
- (xix) any extraordinary expenses (such as litigation expenses).

SCP bears its own operating, general, administrative and overhead expenses, other than the expenses described above. Certain expenses may be paid by securities brokerage firms to which SCP directs securities trades. Based on the advice of external legal counsel and other independent third parties qualified to opine on such matters, SCP shall reasonably believe that such payments fall within the safe harbor of section 28(e) of the Securities Exchange Act of 1934.

### Termination

SCP's relationship with the Funds is terminable only on expiration of the term of the Fund(s), dissolution of the Fund(s) pursuant to the terms of its limited partnership agreement, or the General Partner's withdrawal as a general partner. Investors in the Fund(s) are able to withdraw from a Fund on the last business day of each fiscal quarter on 65 days' prior written notice, subject to a withdrawal fee on withdrawals during the first 12 months after the investor's initial investment in the Fund.

In all cases, the pro rata portion of the management fee through the date of termination are charged to the investor. All prepaid but unearned advisory fees are refunded to the investor on termination of an account.

SCP or a Fund may enter into side letters with certain investors that grant them rights that other investors do not have, such as: reductions of management fees and/or performance-based fees or allocations; special withdrawal rights; rights to receive reports that are more frequent or that include more information than those provided to other investors; special rights to make future investments in SCP Funds; and certain notice and consent rights.

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

SCP generally provides investment management services to investors that do not pay performance-based compensation.

If applicable, SCP has an incentive to favor higher fee paying investor accounts over other accounts. SCP has a conflict of interest if, in any time period, one fee structure would cause higher fees to SCP than the other fee structure, because SCP would have an incentive to favor the investor account that pays the higher fees. To address this conflict, SCP typically allocates all investment opportunities on a pro rata basis based on each account's assets.

## **Item 7. Types of Clients**

SCP provides investment supervisory services to Funds.

SCP generally requires a minimum initial investment of \$1,000,000 for investors in the Fund(s). Each investor is required to meet certain suitability qualifications, such as being an "accredited investor" and "qualified purchaser" within the meaning set forth under the United States federal securities laws.

The minimum initial investment requirement may be waived by SCP in its discretion.

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

The Fund invests primarily in Investee Funds managed by Managers selected and monitored by SCP. The Investee Funds invest in securities, which may include publicly traded common and preferred stocks (and equity-like financial instruments), swaps, options (including covered and uncovered puts and calls), other derivatives, rights, warrants, private securities, non-U.S. securities, bonds, notes, bills, participating and convertible debt instruments, money market instruments, units, ETFs and other instruments. The Investee Funds may engage in short selling, margin trading, hedging and other investment strategies. The Fund also invests directly in securities and may engage in short selling, margin trading, hedging and other strategies. The Investee Funds and the Fund may hold part of their assets in cash or in money market or similar instruments.

**Investment Objective.** SCP's investment objective is to structure a diversified and balanced portfolio that provides consistent alpha and below market volatility for the investors. The General Partner plans to accomplish its investment objective by constructing a multi-manager, multi-strategy investment portfolio of diversified Investee Funds. Direct equity overlays also complement SCP's hedged and long-only equity and fixed-income fund investments.

**Investment Selection Process.** SCP's Investee Fund selection and monitoring process hinges on its goal of concentrating the portfolio with low volatility, alpha generating funds. SCP aims to engage in extensive investment and operational due diligence prior to investment in each Investee Fund. After initial investment, SCP engages in ongoing risk assessment and dialogue with fund managers.

**Investment Philosophy.** The Fund(s) are organized around the belief that comprehensive Investee Fund screening and monitoring along with portfolio balance and diversification will yield superior investment results. SCP seeks to make investment decisions based on a thorough understanding of the financial, strategic, and competitive dynamics of the investment landscape as well as the qualitative and quantitative attributes that characterize a superior portfolio.

An investment in the Fund(s) should be considered a long-term investment. The Funds are not intended to meet investors' short-term financial needs or to provide a complete or balanced investment program.

**Other Matters.** The investment strategy summarized above represents SCP's current intentions, is general in nature and is not intended to be exhaustive. Among other things, there are no limits on the types of Investee Funds and securities in which the Funds may invest, the types of positions it and the Investee Funds may take, the concentration of its and the Investee Funds' investments in companies, industries or market sectors or subsectors, or the amount of leverage that it or the Investee Funds may use, including the extent of its and their margin trading and short positions. SCP and the Managers have broad discretion to use any securities trading or investment techniques, whether or not contemplated by the investment strategy described above. In addition, there are inherent limitations in describing any investment strategy due to its complexity, confidentiality and



indefinite nature. Depending on conditions and trends in securities markets and the economy generally, SCP may pursue any other objectives or use any other techniques that it considers appropriate and in the Funds' best interest. The Fund(s) may not achieve their investment objectives. Further, many of the investment techniques and activities described above are high-risk activities that could result in substantial losses. Consequently, only experienced and sophisticated persons who are able to risk losing all of their investments should invest in the Fund(s).

### Risk Factors

Investing in securities involves risk of loss that investors should be prepared to bear. Below are some of the risks that investors should consider before investing in any Fund the SCP manages. Any or all of such risks could materially and adversely affect investment performance and the value of any account or any security held in an account and could cause investors to lose substantial amounts of money. Below is only a brief summary of some of the risks that an investor in the Funds may encounter. Potential investors in the Funds should review the applicable Fund's governing documents carefully and in their entirety. All prospective investors should consult with their professional advisers before deciding to invest. A potential investor should discuss with SCP's representatives any questions that such person may have before investing in the Fund(s).

- The Fund(s) may not achieve its investment objectives. Its strategy may not be successful and investors may lose some or all of their investment.
- Investor sentiment on the market, an industry or an individual stock, fixed income or other security is not predictable and can adversely affect the Funds' investments.
- The Funds may hold stocks that disappoint earnings expectations and decline and may short stocks that beat earnings expectations and rise.
- SCP may not be able to obtain complete or accurate information about an investment and may misinterpret the information that it does receive. SCP also may receive material, non-public information about an issuer that prevents it from trading securities of that issuer for the Funds when the Funds could make a profit or avoid losses.
- SCP or its Investee Funds may take positions in securities of small or unseasoned companies that are less actively traded and more volatile than those of larger companies.
- SCP or its Investee Funds may engage in hedging in certain strategies, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. SCP is not obligated to hedge the Funds' portfolio positions, and it frequently may not do so.
- The Funds may have higher portfolio turnover and transaction costs than a similar account managed by another investment adviser. These costs reduce investments and potential profit or increase loss.

- Management and stockholders of an issuer may sue short sellers to prevent short sales of the issuer's securities. SCP or Investee Funds could be subject to such actions, even if they are baseless, and the Funds could incur substantial costs defending them.
- SCP or Managers of Investee Funds may use leverage by borrowing on margin, selling securities short in certain strategies and trading derivatives, which increases volatility and risk of loss. These instruments can be difficult to value. An incorrect valuation could result in losses.
- SCP may not have control of when a derivative transaction will be terminated. A counterparty may have the right to terminate a derivative transaction on limited or no notice at its discretion or when certain events occur. Any such termination may occur when it is disadvantageous to SCP.
- There is no exchange market on which to close an open swap position or other derivative transaction. The Funds could experience losses and delays in closing a derivative transaction.
- SCP may use stock index futures. Price movement in such futures are uncertain. There may be no active or secondary market for these contracts at a particular time. SCP may not be able to liquidate unfavorable positions promptly.
- SCP may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.
- SCP may invest in debt instruments, whose values may vary unpredictably with shifts in interest rates, issuers' ability to pay principal and interest and issuers' defaults.
- Counterparties such as brokers, dealers, custodians, administrators, and service providers with which SCP does business on behalf of the Fund may default on their obligations. For example, the Fund may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- SCP may cause the Fund(s) to enter into repurchase agreements or reverse repurchase agreements. These instruments can have effects similar to margin trading and leveraging strategies.
- SCP may cause the Fund(s) to invest in securities of non-U.S. private and government issuers. The risks of these investments include political risks, economic conditions of the country in which the issuer is located, limitations on foreign investment in any such country, currency exchange risks, withholding taxes, limited information about the issuer, limited liquidity and limited regulatory oversight.
- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.

- Some of an account's positions may be or become illiquid, in which case SCP may not be able to sell such positions.
- An account's investments may be concentrated in a few positions and may not be diversified across industries or sectors. Therefore, a loss in any one position, industry or sector in which an account has invested may cause significant losses.
- SCP determines the value of securities held in Fund(s), whether or not a public market exists for such instruments. If SCP's valuation is inaccurate, it might receive more compensation than that to which it is entitled, a new investor in a Fund(s) might receive an interest that is worth less than the investor paid and an investor that is withdrawing assets might receive more than the amount to which the investor is entitled, to the detriment of other investors.
- SCP and its affiliates and agents generally are not responsible to any Client or investor for losses incurred in an account unless the conduct resulting in such loss breached SCP's fiduciary duty to the Client or investor.
- There is not and will not be an active market for Fund interests. It may be impossible to transfer any such interests, even in an emergency.
- A Fund may not be able to generate the cash necessary to satisfy investor withdrawals and redemptions. Substantial withdrawals and redemptions in a short period could force SCP to liquidate investments too rapidly and may so reduce the size of a Fund that it cannot generate returns or reduce losses.
- A Fund may limit or suspend withdrawals or redemptions of an investor's assets.
- A Fund may establish a reserve for contingencies if SCP considers it appropriate. Investors may not withdraw or redeem assets covered by that reserve until it is lifted.
- If the assets that SCP manages grow too large, it may adversely affect performance because it is more difficult for SCP to find attractive investments as the amount of assets that it must invest increases.
- The attorneys who represent SCP do not represent individual investors. Investors must hire their own counsel for legal advice and representation.
- A Fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
- SCP, an administrator or any government agency may freeze assets that any of them believes a Fund holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist and may transfer such assets to a government agency. None of SCP, a Fund or an administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.

- The Funds do not intend to make distributions but intend instead to reinvest substantially all income and gain. Therefore, an investor may have taxable income from a Fund without a cash distribution to pay the related taxes.
- Federal, state and international governments may increase regulation of investment advisers, private investment funds and derivative securities, which may increase the time and resources that SCP must devote to regulatory compliance to the detriment of investment activities.
- SCP is not registered with the SEC as a broker-dealer or with the Commodity Futures Trading Commission as a commodity pool operator or commodity trading adviser. The equity interests in the Funds are not registered under the Securities Act of 1933, and the Funds are not registered investment companies under the Investment Company Act of 1940. SCP believes that none of these registrations is required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations is required, SCP and any Fund could be subject to expensive legal action and potential termination. In addition, investors in the Funds do not have certain regulatory protection that they would have if these registrations were in place.
- SCP's activities could cause adverse tax consequences to the Fund and investors, including liability for interest and penalties.
- SCP's activities may cause an account that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that act.
- If a Fund organized as a limited partnership becomes insolvent, investors may be required to return with interest any distributions and forfeit any undistributed profits.
- SCP and its affiliates may spend time on activities that compete with a Fund without accountability to investors, including investing for other Funds and their own accounts. If SCP receives better compensation and other benefits from managing other assets or Fund compared to managing a Fund or IMA, it has incentive to allocate more time to those other activities. These factors could influence SCP not to make investments on a Client's behalf even if such investments would benefit the Client.
- A Fund may permit an investment by an investor located in an EU country. It is not possible to determine presently the full impact that the AIFM Directive will have on a Fund or SCP. Regulatory changes impairing the ability of SCP to manage investments may have a material adverse effect on a Fund's ability to carry out its investment approach, achieve its investment objective, or attract new capital from European Union sources.
- If a shareholder fails to provide a Fund with any information it requests, in violation of FATCA, the Fund may exercise its right to compel the redemption of such shareholder.
- The general partner of a Fund, in consultation with the SCP, may decide that the investment strategy is no longer viable and resolve that the Fund be managed with the objective of realizing assets in an orderly manner and distributing the proceeds to investors in such

manner as they determine to be in the best interests of the Fund, including compulsorily redeeming shares, paying any redemption or dividend proceeds in kind, or declaring a suspension while assets are realized.

The above is only a brief summary of some of the important risks that a Client or investor may encounter. Before deciding to invest in a Fund that SCP manages, potential clients should consider carefully all of the risk factors and other information in the Fund's governing documents.

## **Item 9. Disciplinary Information**

Not applicable.

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

Not applicable.

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

SCP has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940 and Rule 17j-1 under the Investment Company Act of 1940, which establishes standards of conduct for its employees. The Code of Ethics includes general requirements that SCP employees comply with their fiduciary obligations to the Funds and applicable securities laws and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of Client information. It requires employees to report their personal securities transactions and holdings monthly to the Chief Compliance Officer or his designee and requires the Chief Compliance Officer or his designee to review those reports. It also requires employees to report any violations of the Code of Ethics promptly to the Chief Compliance Officer. Employees must also report their outside business activities. Each employee receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received the materials. Annually, each employee must certify that he or she complied with the Code of Ethics during that year.

Investors and prospective investors may obtain a copy of the Code of Ethics by contacting SCP's Chief Compliance Officer, at (925) 253-1800.

Under SCP's Code of Ethics, SCP and its officers, manager and employees may personally invest in securities of the same classes as are purchased for the Funds, and they may own securities of classes that are subsequently purchased for the Funds. This practice creates a conflict of interest in that any of such persons can use his or her knowledge about actual or proposed securities transactions and recommendations for a Client account to profit personally by the market effect of such transactions and recommendations. To address this conflict, SCP and its officers, manager and employees are required to pre-clear transactions in securities designated as "Reportable Securities," and SCP will only grant approval to trade so long as the security is not being contemplated for trading for a Fund, has traded in the Funds during a blackout period, or has otherwise been restricted. SCP and its officers, manager and employees may also buy or sell a specific security for their own

accounts based on personal investment considerations, which SCP does not deem appropriate to buy or sell for the Fund. The performance of the personal accounts of SCP and its officers, manager and employees may be more favorable at times than that of the Funds' accounts.

Because SCP manages more than one Client account, there may be conflicts of interest over its time devoted to managing any one account and selecting and allocating investment opportunities among accounts. For example, SCP selects investments for each Fund based solely on investment considerations for that Fund. The Funds may have different investment strategies and expected levels of trading. Therefore, SCP may buy or sell a security for one Fund but not for another, or may buy (or sell) a security for one Fund while simultaneously selling (or buying) the same security for another Fund. SCP attempts to address such situations in a manner that is generally fair to the Funds. SCP may take action on behalf of the Funds that differs from the timing or nature of action it takes on behalf of any other Fund as long as it is SCP's policy, to the extent practicable, to allocate investment opportunities to Clients fairly and equitably over time.

## **Item 12. Brokerage Practices**

SCP has complete discretion over the selection of the broker to be used and the commission rates to be paid. In selecting a broker for any transaction or series of transactions, SCP may consider a number of factors, including, for example,

- opportunity for price improvement,
- transaction costs,
- anonymity,
- liquidity,
- expertise with difficult securities (i.e., illiquid trades),
- speed of execution,
- trading style and strategy (taking market conditions into consideration),
- frequency of errors,
- access to new issues,
- financial strength and stability,
- special execution capabilities,
- willingness to execute related or unrelated difficult transactions in the future,
- order of call (refers to the order in which the broker calls a client vs. its other clients to share information),

- information accuracy and timeliness,
- ability to minimize market impact,
- availability of derivative securities,
- capital commitment,
- perceived integrity and reputation,
- morning/intraday flow call, and
- quality of and access to research (including sales coverage, investment ideas, research seminars and ability to facilitate meetings with corporate executives).

SCP may also purchase from a broker or allow a broker to pay for certain goods and services, (“soft dollar relationships”), including

- certain research services, including economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, research conferences, general reports, periodical subscription fees and consultants’ fees;
- performance, risk and exposure measurement data;
- trade execution analytics;
- on-line pricing;
- news wire charges and certain data processing charges;
- quotation services; and
- computer software (such as trade order management systems and software that facilitates the analyzing of the availability and rates for stock borrows from different brokers and related matters) or aggregated performance, risk and exposure measurement across the Fund and stock portfolios within one or more of the Fund.

SCP may direct a brokerage firm that executes transactions to share some of its commissions with a brokerage firm that provides soft dollar benefits to SCP. With respect to certain computer software used for both research/brokerage and non-research/brokerage purposes, SCP may (but is not required to) allocate the costs of such products between their research/brokerage and non-research/brokerage uses and will use soft dollars to pay only for the portion allocated to research/brokerage uses.

SCP may cause the Fund to pay a brokerage commission in excess of that which another broker might charge for effecting the same transaction in recognition of the value of the brokerage, research and other services and soft dollar relationships. Although SCP believes the Funds benefit from

services obtained with soft dollars generated by their accounts' trading, SCP and its affiliates also derive direct or indirect benefits from some or all of these services, particularly to the extent that SCP uses "soft" or commission dollars to pay expenses that it would otherwise be required to pay itself.

Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of Section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. SCP uses commission dollars to pay only for products and services that it reasonably believes, based on the advice of external legal counsel or other independent third parties qualified to opine on such matters, fall within the safe harbor of 28(e).

SCP generally considers the amount and nature of research, execution and other services provided by brokers, as well as the extent to which the Funds rely on such services, and attempts to allocate a portion of the brokerage transactions based on that consideration. SCP believes that allocating brokerage transactions in this manner helps obtain research and execution capabilities and provides other benefits to the Fund.

The relationships with brokerage firms that provide soft dollar services to SCP and its affiliates influence SCP's judgment in allocating brokerage transactions and create a conflict of interest in using the services of those brokers to execute Client brokerage transactions. Client transactions executed through these firms or any other brokerage firm may or may not be at the best prices otherwise available. SCP has an incentive to select a broker based on SCP's interest in receiving soft dollar services rather than Clients' interest in receiving the most favorable execution. These conflicts of interest are particularly strong when SCP uses soft dollars to pay expenses it would otherwise be required to pay itself. Prospective investors who consider SCP's soft dollar practices material to their investment decision should request SCP's most recent information on soft dollar practices.

SCP addresses these conflicts of interest by evaluating (at least annually) the trade execution services that SCP receives from the brokers that it uses to execute trades for clients. Such evaluation includes comparing those services to the services available from other brokers. SCP considers, among other things, alternative market makers and market centers, the quality of execution services, the value of continuing with various soft dollar services and adding or removing brokers, increasing or decreasing targets for each broker and the appropriate level of commission rates.

A prime broker and a custodian has been retained to serve as prime broker and custodian for the Funds' assets. SCP may replace these firms, or appoint additional prime brokers and custodians, at any time. The services that the prime broker and custodian provide include custody, margin financing, cash sweep and other cash management services, clearing, settlement, stock borrowing, capital introduction services, various client portfolio reporting and information management, trade execution analytics and business and information technology consulting and related services. The Funds pay the prime broker and custodian for some of these services, such as stock borrowing, but many of the services are provided without charge.



While a number of the services provided by the prime broker benefit both the Funds and SCP, some of the services, such as capital introduction services and client portfolio reporting provided by the prime broker and used for marketing purposes, primarily benefit SCP. SCP believes that the services it receives from the prime broker are generally comparable to those services provided by many prime brokers to other similarly situated investment advisers. If SCP did not receive these services from its prime brokers, it would be required to pay for all or some portion of them. SCP is not required to continue to use any particular prime broker (unless directed to do so by a Client) or direct a particular number of trades to the prime broker. SCP has an incentive, however, to maintain the relationship with the prime broker based on such firms' prior and continued provision of services.

If a Client directs SCP to use a specific broker, SCP may not be able to negotiate the terms and conditions (including, but not limited to, commission rates) relating to the services provided by such broker. In such situations, SCP does not have any responsibility for obtaining for the Client from any such broker the best prices or particular commission rates with or through any such broker. Also, the Client may not obtain rates as low as it might otherwise obtain if SCP had discretion to select broker-dealers other than those chosen by the Client. The Client may not be able to participate in aggregate securities transactions as described below, and the Client may trade after such aggregate transactions and receive less favorable execution.

SCP may aggregate sale and purchase orders of securities held by a Fund with similar orders being made simultaneously for other Funds if, in its judgment, such aggregation is reasonably likely to result in an overall economic benefit to all such accounts, in the aggregate, based on an evaluation that such accounts will benefit from relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions or a combination of these and other factors.

### **Item 13. Review of Accounts**

The CIO and/or other SCP personnel review the portfolio's performance and activity at least weekly. Those reviews take into account such matters as asset allocation, cash management, the prospects of individual securities, changes in issuer earnings, industry outlook, market outlook and price levels. Additionally, the Fund's portfolio is monitored on an ongoing basis to assure conformity with the objectives and guidelines in the advisory agreement or Fund documents.

Investors in the Fund have access to monthly reporting from their administrator. All investors in Funds receive at least quarterly performance results from SCP. Investors in the Fund also receive a general quarterly newsletter and the Fund's annual audited financial statements.

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

The prime broker for the Funds provides a variety of services in addition to custody services. These include capital introduction services. SCP is not required to direct any volume of business in return for these services. However, it has an incentive to maintain relationships with these firms based on their prior and continued services.

SCP may engage solicitors to whom SCP will pay cash or a portion of the advisory fees paid by investors referred by those solicitors. In such cases, this practice will be disclosed in writing to the investor, and SCP will comply with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940 to the extent required by applicable law.

## **Item 15. Custody**

All Fund assets are held in custody by unaffiliated broker-dealers or banks. The Funds are subject to an annual audit and the audited financial statements are distributed to each investor. The Funds' audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 180 days of the end of the Funds' fiscal years.

## **Item 16. Investment Discretion**

SCP has discretionary authority to manage investment accounts on behalf of the Funds pursuant to a grant of authority through its agreement of limited partnership.

An investor must promptly notify SCP in writing if the investor considers any investments recommended or made for the account to violate the Fund's objectives or restrictions described in the governing documents of the Fund.

## **Item 17. Voting Client Securities**

Proxies are assets of the Funds that must be voted with diligence, care and loyalty. SCP will determine whether to and how to vote each proxy in accordance with its fiduciary duty to the applicable Fund. However, SCP will document and abide by any specific proxy voting instructions conveyed by the Fund with respect to its securities. The Chief Compliance Officer coordinates SCP's proxy voting. Absent specific Client instructions, SCP has adopted the following proxy voting procedures designed to ensure that proxies are properly identified and voted, and that any conflicts of interest are addressed appropriately:

- All proxies sent to Clients that are received by SCP (to vote on behalf of Clients) will be provided to the CCO.
- The CCO or will generally work to adhere to the following procedures:
  - A written record of each proxy received by the SCP (on behalf of its Clients) will be kept in the SCP's files;
  - The CCO or his/her designee will determine which of SCP's Clients hold an interest in the private investment fund or security to which the proxy relates;
  - The CCO will call a meeting of the Proxy Voting Committee. In addition to calling the meeting, the CCO or his designee will provide each member of the Proxy Voting Committee with:

- a copy of the proxy;
  - a list of the Clients to which the proxy is relevant;
  - the amount of votes controlled by each Client (if applicable); and
  - the deadline that such proxies need to be completed and returned to the private investment fund in question.
- Prior to voting any proxies, the Proxy Voting Committee will determine if there are any conflicts of interest related to the private investment fund or direct investment proxy. If a conflict is identified, the Proxy Voting Committee will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material or not.
  - If no material conflict is identified pursuant to these procedures, the Proxy Voting Committee will make a decision on how to vote the proxy in question. The CCO will instruct an authorized signatory for the Client(s) to deliver the proxy in accordance with instructions related to such proxy.
  - SCP may retain an independent third party to vote proxies in certain situations (including situations where a material conflict of interest is identified).

SCP may direct Client participation in class actions. SCP has not retained a class action service provider to assist in the class action process. SCP usually does not serve as the lead plaintiff in class actions because the costs of such participation typically exceed any extra benefits that accrue to lead plaintiffs.

## **Item 18. Financial Information**

Not applicable.

## **Item 19. Requirements for State-Registered Advisers**

Not applicable.