

# Disclosure Brochure

March 27, 2020

## **Wolf River Capital Mississippi, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Wolf River Capital Mississippi, LLC (hereinafter "WRCMS"). If you have any questions about the contents of this brochure, please contact Gina Douglas at (901) 312-9653. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Wolf River Capital Mississippi, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Wolf River Capital Mississippi, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2.      Material Changes**

This Item discusses only the material changes that have occurred since WRCMS's last annual update filed March 26, 2019. The Firm has no material changes to report in response to this item.

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## **Item 4. Advisory Business**

WRCMS has been in business as a registered investment adviser since March 2013 and is principally owned by R. Davis Howe, James Wingett, Douglas Duncan, Gina Douglas, Beth Gunn Lee, Janet Gerber, and William Renovich. The Firm's investment advisory services are provided from WRCMS's office in Southaven, MS. As of January 1, 2020, WRCMS had \$199,450,031 in assets under management, all of which was managed on a discretionary basis.

WRCMS serves as the discretionary investment manager to the Wolf River Opportunity Fund and the Wolf River Opportunity Fund II (each a "Fund" and together the "Funds"), two pooled investment vehicles that seek to achieve risk-adjusted returns by capitalizing on opportunities in the credit markets. The Funds are exempt from registration under the Investment Company Act of 1940, and the interests in the Funds have been privately offered pursuant to Regulation D under the Securities Act of 1933. The Firm tailors its management services with respect to the Funds in accordance with its stated investment objectives. For purposes of this document, the term "client" generally refers to the Funds and not individual investors. All relevant information about the Funds is set forth in the limited liability company operating Agreement ("LLC Agreement") for each Fund which each investor is required to execute prior to being accepted as an investor.

Relevant information may consist of terms and conditions relative to the particular Fund, including the compensation received by WRCMS, withdrawal rights, qualification requirements, suitability, risk factors, and potential conflicts of interest. WRCMS will provide services to each Fund until terminated by either party pursuant to the terms of the LLC Agreement.

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

WRCMS does not charge an investment advisory fee for managing the Funds.

The Funds incur certain charges imposed by other third parties, such as broker-dealers, custodians, administrators, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include, among others, securities brokerage commissions, transaction fees, custodial fees, administration fees, charges imposed directly by the issuer of a particular holding, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, other fees and taxes on brokerage accounts and securities transactions, and other fees and expenses as outlined in the LLC Agreement for each Fund.

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

WRCMS does not provide any services for a performance-based fee (i.e., a fee based upon capital gains on or capital appreciation of the assets in an account).

## Item 7. Types of Clients

WRCMS provides investment advisory services solely to the Funds and does not impose any account restrictions at this time.

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

### Methods of Analysis and Investment Strategies

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#### *Investment Objective*

WRCMS's investment objective is to seek positive risk-adjusted returns on capital primarily through the purchase of Securitized Pools (including the junior-most tranches) of such securities and trust preferred securities, subordinated debt securities or other securities, including equity securities, issued by banks, thrifts, insurance companies or other similar financial institutions or holding companies of real estate investment trusts, and such other investments including without limitation common and preferred stocks, convertible stocks and bonds, mutual funds, exchange traded funds, options, option futures, foreign securities, American Depositary Receipts, unit investment trusts, money market funds, corporate and government bonds, notes, evidences of indebtedness, general and limited partnership interests, units, joint venture interests, warrants, certificates of deposits, and any and all securities whatsoever, public or private, foreign or domestic, that the Firm may from time to time deem to be in the best interests of clients (collectively, "Portfolio Securities").

#### *Investment Strategy*

WRCMS seeks to identify selected Portfolio Securities that are undervalued and, accordingly, present opportunities for attractive, risk-adjusted returns. WRCMS believes that stress in the financial sector and the global recession have caused many securities to be deeply discounted and that the difficulty of analyzing the underlying collateral and structures of Securitized Pools in the current environment has led to discounted pricing of the securities.

Combined, WRCMS's eight (8) professionals have extensive experience on the equity and debt sides of the financial markets, as well as operational and investment experience within the banking, insurance, and investment banking industries. Additionally, prior to associating with WRCMS, seven of WRCMS's eight professionals underwrote, structured and placed many of the Securitized Pools in which the Funds invest. The targeted asset classes and investment strategies of the Funds include, but are not limited to, the following:

- *Securitized Pools* – The primary focus of the *Funds* will be investment in securities from Securitized Pools of trust preferred securities and subordinated debt issued by bank holding

companies, banks, insurance companies and real estate investment trusts. These Securitized Pools were largely originally issued between 2000 and 2007. Generally, the underlying collateral of the pools originally consisted of 50 to 100 obligors. The transactions have different interest and principal waterfalls. The *Funds* may purchase bonds from various tranches of the Securitized Pools.

- *Trust Preferred Securities* – WRCMS expects that the *Funds*' investments will also include trust preferred securities issued by bank holding companies and insurance companies. Generally, trust preferred securities have a 30-year maturity period from the date of issuance, with an initial non-call period of five (5) years. The securities have a five (5) year deferral option, where the issuer can defer its interest for a period of five (5) years without having such deferral result in an event of default. If the issuer exercises its deferral option, it is prohibited from paying interest and dividends on or redeeming forms of debt or equity that are *pari passu*, or subordinate to the trust preferred securities, including senior preferred stock issued via the Treasury Department's Capital Purchase Program, non-cumulative preferred stock, and common stock.
- The *Funds* may also invest in other debt and equity of financial services companies, or any other investment.

### *Description of Investment Process*

- *Investment Analysis* – WRCMS has developed and maintains proprietary databases and models that facilitate tracking the performance of Securitized Pools as well as the individual obligors underlying the Securitized Pools. WRCMS will utilize its databases and general market knowledge to determine investment opportunities within the context of the current market and its expectation of the future market for individual securities and Securitized Pools.
- *Portfolio Evaluation* – Once an investment opportunity is determined to be attractive as a stand-alone investment, WRCMS will evaluate the effect of adding that investment to the *Fund* portfolio.
- *Investment and Portfolio Monitoring* – WRCMS will continually monitor the clients' positions to ensure that the investment thesis behind each position remains intact. WRCMS will also monitor market prices and spreads so that portfolio adjustments can be made as trading and intrinsic values converge or losses can be minimized in the event of a significant shift in an investment's fundamental premise. WRCMS will monitor aggregate investment positions with the goal of diversifying risk within the *Fund's* parameters.
- *Development and Risks of Investment Manager's Trading Strategy* – The development of a trading strategy is a continual and dynamic process. WRCMS's trading strategy and methods for the *Funds* must therefore be modified from time to time. WRCMS's trading methods are confidential, and the description of them contained herein is not exhaustive. Trading decisions require the exercise of judgment by WRCMS. WRCMS may, at times, decide not to make certain trades, thereby forgoing participation in price movements that would have yielded profits or avoided

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losses. There is no assurance that the strategies or methods utilized by WRCMS will achieve the desired results.

## Risks of Loss

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The *Funds'* investment program entail substantial risks, and there can be no assurance that its investment objectives will be achieved.

### *Market Risks*

The profitability of a significant portion of WRCMS's recommendations may depend to a great extent upon the correct assessment of the future course of price movements of stocks and bonds. There can be no assurance that WRCMS will be able to predict those price movements accurately.

### *Distressed Securities*

As stated, WRCMS is a distressed asset manager and as such, often recommends "below investment grade" securities, which may include obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, and/or facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to WRCMS's recommendation of an instrument, and some or all of the obligations and securities which WRCMS recommends may be less than investment grade rated. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that WRCMS will correctly evaluate the value of the assets' underlying investments or prospects for a profitable return. In any reorganization or liquidation proceeding relating to an investment in a company which WRCMS recommends, clients may lose the investment, may be required to accept cash or securities with a value less than the original investment, and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated by WRCMS may not compensate clients adequately for the risks assumed.

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## *Illiquidity of Portfolio Investments*

WRCMS may recommend investments that have limited liquidity under current and/or future market conditions. There may be legal, contractual or other restrictions on their resale and/or other factors. As a result, there is no guarantee that securities can be liquidated in a timely manner, and certain investments may require holding for an indefinite period of time or until the maturity thereof.

## *Prepayments/Early Calls of Underlying Securities*

The collateral underlying the securities in which WRCMS invests are callable prior to maturity by the issuers. Prepayments/Calls of underlying collateral may cause cessation of interest and principal in the lower priority tranches of the transactions in which WRCMS invests.

## *Auction Calls*

Many of the Securitized Pools in which WRCMS invests contain auction call features which cause the collateral to be auctioned generally beginning on the tenth anniversary at intervals varying from quarterly to annually. Each transaction has its own definition for the minimum bid required for the auction to be successful. At the least, the proceeds must be enough to redeem and pay all accrued interest on the rated notes. Some transactions require an additional amount to be paid to the unrated notes. A successful auction redeems the rated notes at par before their final maturity date. This is a potential risk to unrated notes, as it may reduce or totally eliminate related future cash flows. For rated securities, the expected yield could change depending on when and whether the auction call occurs. In cases where debt securities are purchased or valued at levels above par, a successful auction may decrease the expected returns as well.

## *Highly Volatile markets*

The market prices of financial instruments which WRCMS may recommend can be highly volatile. Price movements of investments which WRCMS may recommend are influenced by, among other things, interest rates (both current and forecasted); changing supply and demand relationships; overall market liquidity conditions, commodity prices, trade, fiscal, monetary policies and exchange control programs, policies of governments and regulatory authorities; and national and international political and economic events and policies.

## *Credit Quality of Securities*

There are no restrictions on the credit quality of investments that WRCMS may recommend. Investments which WRCMS may recommend may be deemed by rating agencies to have substantial vulnerability to default in payment of interest and/or principal. Securities may have the lowest quality ratings or may be unrated. Such ratings may indicate that payments are in default, that a bankruptcy petition has been filed with respect to the issuer, or that the issuer is regarded as having extremely poor prospects for being able to meet its financial obligations.



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Investors should recognize that lower rated and unrated securities in which WRCMS may invest have large uncertainties or major risk exposure to adverse conditions and are considered to be predominantly speculative. Generally, such securities offer a higher return potential than higher rated securities but involve greater volatility of price and greater risk of loss of interest and principal.

The market values of certain of these securities also tend to be more sensitive to changes in economic conditions than higher rated securities. In addition, clients may incur additional expenses to the extent that it is required to seek recovery upon a default in the payment of principal or interest on its portfolio holdings.

In general, the ratings of nationally recognized rating organizations represent the opinions of these agencies as to the quality of securities that they rate. Such ratings, however, are relative and subjective; they are not absolute standards of quality and do not necessarily evaluate the market value risk of the securities. It is also possible that a rating agency might not change its rating of any particular issue on a timely basis.

### *Market Conditions, Governmental Regulatory Action and Concentration Risks*

WRCMS generally recommends a portfolio of investments which are primarily related or exposed to securities issued by financial institutions, insurance companies or real estate investment trusts in the United States. The United States economy appears to be on a relatively firm footing now with economic growth stabilizing, and the unemployment rate falling substantially from the peaks of the 2008-2009 recession and at or near all-time lows. As a result, the United States credit markets have stabilized and liquidity has improved substantially. The United States federal government and state governments have implemented a broad variety of governmental actions and new regulations of the financial markets and financial services companies that WRCMS recommends. Any of these factors, and future governmental and regulatory actions, may negatively impact, perhaps significantly, WRCMS's investment strategy.

The value of investments may be adversely affected by periods of economic slowdown or recession, which may be accompanied by declines in real estate values, reduced liquidity, decreased demand for commercial credit and higher failure rates of banks and bank holding companies. In particular, the failure rate of banks and bank holding companies consistent with levels experienced as a result of the 2008-2009 recession could adversely affect clients' returns.

Catastrophic events and adverse market conditions may have a negative impact on the performance and profitability of financial services companies, as a reduction in economic activity reduce the demand for insurance and credit. Companies may also suffer contemporaneous reductions in investment income and increased investment losses. These circumstances, coupled with difficulty in raising capital, could lead to further economic difficulties and insolvency for certain companies and ultimately result in losses on investments issued by such companies and an adverse effect on clients' returns.

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Most investments have floating coupon rates indexed to three month LIBOR. Sustained low interest rates and flattened yield curves will impact returns negatively.

In mid 2017 it was announced that the LIBOR index would be phased out. The rates for the Securitized Pools, the rates for the collateral of the Securitized Pools, and the swaps imbedded in the Securitized Pools are generally currently indexed upon the 3 month LIBOR rate. The regulatory authorities have targeted December 2021 for the phase out of the LIBOR index.<sup>1</sup> It is unclear at this date what index will replace 3 month LIBOR in the future or when this substitution will take place.

Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The Securities and Exchange Commission, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions.

The effects of any changes in law or interpretations of existing laws could be substantial and adverse to clients' investments.

Each of these recent and developing economic and governmental factors may impact WRCMS's ability to purchase and sell investments and to recover its clients' investments (or achieve any return on such investment).

## *Financial Institution Regulatory Reform*

The United States financial markets and economy in general have experienced a substantial recovery from the "great recession" of 2008 and 2009. The recession, while creating a unique market opportunity in this investment space, resulted in market turmoil and the overall weakening of the financial services industry. Certain financial institutions and/or bank holding companies were adversely affected by the events that led to the recession and its regulatory aftermath. New rules and regulations resulted in increased operating costs and generally created a more difficult operating environment for all financial institutions including the underlying collateral issuers in the Securitized Pools. Laws and regulations, particularly those involving modifications to capital ratio requirements of bank holding companies, can change quickly and unpredictably and may at any time be amended, modified, repealed or replaced in a manner that is adverse to the interests of these institutions' various stakeholders.

## *Insolvency Considerations*

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<sup>1</sup> In the event that LIBOR is phased out and no longer quoted, it is possible that the coupons on these securities could be fixed at the last quoted coupon, which is the last quoted LIBOR rate for the bond plus the assigned spread, which may result in the decline of market prices for the securities.

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Investments in securities may be adversely affected by the issuers' reorganization, insolvency or liquidation proceedings. A bankruptcy court, the FDIC or other regulatory authorities, as applicable, could determine to invalidate, in whole or in part, the investment in the certain securities, to subordinate such indebtedness to existing or future creditors of the issuer or to recover amounts previously paid by the issuer in satisfaction of such indebtedness. Furthermore, in liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the original purchase price to the client in respect to which such distribution was made.

### *Securities issued by Special Purpose Trust Subsidiaries*

WRCMS may recommend securities issued by special purpose trust subsidiaries of financial institutions, insurance companies or real estate investment trusts. The trust subsidiary uses the proceeds of the sale of its securities to purchase deferrable subordinated debentures (each, a "Corresponding Debenture") or other subordinated debt of its parent financial institution or holding company (each, a "Corresponding Debenture Issuer"). A trust's only source of cash to make payments on its securities will be the interest payments it receives on the Corresponding Debentures. The Corresponding Debenture Issuer is dependent on dividends from its operating subsidiaries to make payments on the Corresponding Debentures. These operating subsidiaries are highly regulated and in most cases subject to regulatory limitations related to dividend payments to their respective holding companies. The securities have maturities and coupons that mirror the Corresponding Debentures of the Corresponding Debenture Issuer.

Securities issued by each trust will generally be redeemed when the Corresponding Debentures issued by its Corresponding Debenture Issuer are paid at maturity, or upon earlier optional redemption of the Corresponding Debentures. The securities may have varying coupon rates, distribution or payment dates and accrual periods, call prices and dates, maturity dates and other terms from one another.

Payments under the Corresponding Debentures, and in turn on the securities and the Securitized Pools that they underlie, are highly dependent upon payments received from the relevant Corresponding Debenture Issuer and its subsidiaries. Furthermore, adverse developments with respect to the financial, insurance and real estate industries in general may adversely affect the ability of a Corresponding Debenture Issuer to make payments under the Corresponding Debentures.

The obligations of each Corresponding Debenture Issuer under the guarantee it provides in respect of the securities and its Corresponding Debentures will generally be unsecured, subordinate and junior in right of payment to all present and future senior indebtedness of such Corresponding Debenture Issuer. No payment of principal of or premium, if any, or interest on any Corresponding Debenture may be made if (i) any payment due in respect of senior indebtedness of the issuing Corresponding Debenture Issuer is not

paid when due and any applicable grace period with respect to such default has ended with such default not having been cured or waived or ceasing to exist or (ii) the maturity of any senior indebtedness of the issuing Corresponding Debenture Issuer has been accelerated because of a default and such acceleration has not been rescinded or cancelled. In addition, Corresponding Debenture Issuers may be parties to agreements with holders of their senior indebtedness that have the practical effect of further subordinating the rights of holders of the Corresponding Debentures to such holders of their senior indebtedness under certain circumstances. Any Corresponding Debenture Issuer or any subsidiary of any Corresponding Debenture Issuer may incur additional indebtedness, secured or unsecured, including any senior indebtedness, without limitation.

The Corresponding Debentures are not insured or guaranteed by the regulatory authority of any financial institution, any governmental agency or instrumentality or any insurance guaranty fund. Because each Corresponding Debenture Issuer that issues Corresponding Debentures may be a holding company, its ability to make distributions on the Corresponding Debentures will be highly dependent upon the earnings of its subsidiaries and its ability to receive payments from such subsidiaries in the form of dividends, fees, loans or distributions. The subsidiaries of each Corresponding Debenture Issuer are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts under the Corresponding Debentures or any guarantee provided by the Corresponding Debenture Issuer in respect of the securities, or to make any funds available therefore, whether by dividends, loans or other payments.

There are also various legal and regulatory limitations on the extent to which a Corresponding Debenture Issuer's subsidiaries may extend credit, pay dividends or otherwise supply funds to the Corresponding Debenture Issuer or various of its affiliates. In particular, with respect to insurance companies, payments of dividends or other distributions to the Corresponding Debenture Issuer or its affiliates by the Corresponding Debenture Issuer's U.S. domiciled insurance company subsidiaries are subject to the various insurance regulatory restrictions of the states having jurisdiction over such insurance company subsidiaries. Such laws typically vary from state to state. Certain states generally require that any statutory surplus following any dividend or distribution be reasonable in relation to such subsidiary's outstanding liabilities and adequate to meet its financial needs and permit the payment of dividends only out of earned (unassigned), as opposed to contributed, statutory surplus. In addition, many states prohibit an insurance company, without prior notice to and approval of the applicable regulatory authority, to declare or pay an extraordinary dividend, which is typically defined as any dividend or distribution of cash or other property whose fair market value, together with other dividends or distributions made within the preceding 12 months, exceeds the greater of such subsidiary's statutory net gain from operations of the preceding calendar year or 10% of statutory surplus as of the preceding December 31, although some states use more stringent standards. For insurance regulatory purposes, the surplus of an insurance company is generally determined on the basis of Statutory Accounting Practices ("SAP") prescribed or permitted by the state of domicile rather than generally accepted accounting principles. SAP generally is a more conservative measure of an insurance company's surplus.

In addition, certain agreements, loans, exchanges of assets and other transactions between an insurance company subsidiary and its affiliates, including its Corresponding Debenture Issuer, may require prior notice to or approval of the applicable regulatory authority. Such restrictions and requirements may affect the permissibility and timing of distributions to a Corresponding Debenture Issuer from its insurance company subsidiaries. Moreover, the right of a Corresponding Debenture Issuer to participate in any distribution of assets of any of its subsidiaries upon liquidation, reorganization or otherwise will be subject to the claims of the creditors and any preferred equity holders of the applicable subsidiary, except to the extent that the Corresponding Debenture Issuer is recognized as a creditor of such subsidiary. Even if the Corresponding Debenture Issuer is recognized as a creditor of its insurance company subsidiary, its claims as such will likely be subordinated to those of policyholder creditors in the context of the liquidation of the insurance company subsidiary pursuant to the applicable state insolvency laws governing such liquidation. Accordingly, the Corresponding Debenture Issuer's Corresponding Debentures and guarantee will effectively be subordinated to all existing and future liabilities and preferred equity of the Corresponding Debenture Issuer's insurance subsidiaries. With respect to bank issuers, dividend payments from the depository institution subsidiaries of Affiliated Depository Institution HCs or the Holding Company Subordinated Debenture Issuer are subject to regulatory limitations, generally based on current and retained earnings of the depository institution subsidiary and other factors, imposed by law or regulation and, in some cases, require prior regulatory approval. Payment of dividends is also subject to regulatory restrictions if such dividends would impair the capital of the depository institution subsidiary and in certain other cases.

A default in payment or a deferral in interest payments on any Corresponding Debenture will decrease the amount of cash available to the trusts to make payments on the securities.

The terms and provisions of the securities may vary and such variations may be material. There can be no assurance that differences between the terms and provisions of some securities in comparison to the terms and provisions of other securities will not have an adverse effect on any Securitized Pools that they underlie and, consequently, on the clients to the extent the client owns any such securities or Securitized Pools. Clients should consider and assess for themselves the likely level of defaults and the likely level and timing of recoveries on the securities and on any the Securitized Pools that they underlie.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### Item 9. Disciplinary Information

WRCMS is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. WRCMS does not have any required disclosures to this Item.

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

WRCMS is under common control with its affiliated SEC registered investment adviser, Wolf River Capital Management, LLC ("WRCM"), and certain of the Firm's Supervised Persons also serve in the same or similar capacity for WRCM. WRCM serves as the investment manager of several affiliated pooled investment vehicles, as described in its Form ADV brochure. Each investment adviser renders services independent of the other, and no clients of WRCMS are solicited to invest in the funds managed by WRCM.

### Item 11. Code of Ethics

WRCMS has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of certain persons associated with the Firm ("associated persons"). WRCMS's Code of Ethics contains written policies reasonably designed to certain unlawful practices such as the use of material non-public information by the Firm or any of its associated persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders. The Code of Ethics also requires that certain of WRCMS's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments.

WRCMS and its associated persons are permitted to buy or sell securities that it also recommends to clients consistent with WRCMS's policies and procedures. Unless specifically permitted in WRCMS's *Code of Ethics*, none of WRCMS's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of WRCMS's clients.

When WRCMS is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when WRCMS is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii)

shares issued by open-end mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more open-end mutual funds. Notwithstanding the above, Access Persons may effect transactions for themselves at the same time as clients as part of a block trade, in accordance with the Rules and the Compliance Manual.

Clients and prospective clients may contact WRCMS to request a copy of its *Code of Ethics*.

### **Item 12. Brokerage Practices**

As discussed above, in Item 5, WRCMS will not charge an investment advisory fee for managing the *Funds*, but the *Funds* may incur certain expenses and transaction fees imposed by *Financial Institutions*.

Factors which WRCMS considers in utilizing specific *Financial Institutions* include their respective financial strength, reputation, execution, pricing, research and service. The transaction fees charged by a particular *Financial Institution* may be higher or lower than those charged by others.

The commissions paid by WRCMS's clients comply with WRCMS's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where WRCMS determines that the commissions are reasonable in relation to the value of the services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, costs, and responsiveness. WRCMS seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions. WRCMS periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist WRCMS in its investment decision-making process. Such research generally will be used to service all of WRCMS's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because WRCMS does not have to produce or pay for the products or services.

#### **Software and Support Provided by Financial Institutions**

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WRCMS receives from certain *Financial Institutions*, without cost to WRCMS, computer software and related systems support. WRCMS receives the software and related support without cost because WRCMS custodies assets or trades through a particular *Financial Institution*. The software and support is not provided in connection with securities transactions of clients (i.e. not "soft dollars"). The software and related systems support may benefit WRCMS, but not its clients directly. In fulfilling its duties to its clients,



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WRCMS and its affiliates endeavor at all times to put the interests of their clients first. WRCMS's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits create an incentive for the Firm to choose one broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor's clients' assets are maintained in accounts at *Financial Institutions*. *Financial Institutions'* services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, 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.

For client accounts maintained in its custody, *Financial Institutions* generally do not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Financial Institution or that settle into *Financial Institutions* accounts.

*Financial Institutions* also make available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by *Financial Institutions*. Other potential benefits may include occasional business entertainment of personnel of WRCMS by *Financial Institutions* personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist WRCMS in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at *Financial Institutions*. *Financial Institutions* also make available to WRCMS other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, *Financial Institution* may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. *Financial Institutions* may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, WRCMS endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at *Financial Institutions* may be based in part on the benefits



received and not solely on the nature, cost or quality of custody and brokerage services provided by *Financial Institutions*, which creates a potential conflict of interest.

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

WRCMS's investment committee monitors each Fund's portfolios on an ongoing basis. Investors in the Funds will receive a report from WRCMS that may include such relevant account and/or market-related information such as each Fund's performance and capital account value each quarter. All investors in the Funds receive the audited financial statements of the Fund as soon as they are available.

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

WRCMS does not compensate third parties for client referrals.

#### **Other Compensation**

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The Firm receives economic benefits from CUSTODIAN. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12.

### **Item 15. Custody**

WRCMS is the managing member of the Funds and is therefore deemed to have custody of the Funds' assets, and therefore the Firm will either i) engage an independent auditor to perform a surprise annual examination of the *Funds'* accounts or ii) engage an independent, PCAOB registered accounting firm to perform an annual audit of the *Funds'* accounts and distribute the audited financial statements to investors.

#### **Standing Letters of Authorization**

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WRCMS also has custody due to clients giving the Firm limited power of attorney in a standing letter of authorization ("SLOA") to disburse funds to one or more third parties as specifically designated by the client. In such circumstances, the Firm will implement the steps in the SEC's no-action letter on February 21, 2017 which includes (in summary): i) client will provide instruction for the SLOA to the custodian; ii) client will authorize the Firm to direct transfers to the specific third party; iii) the custodian will perform appropriate verification of the instruction and provide a transfer of funds notice to the client promptly after each transfer; iv) the client will have the ability to terminate or change the instruction; v) the Firm will have no authority or ability to designate or change the identity or any information about the third party; vi) the Firm will keep records showing that the third party is not a related party of the Firm or located at the same address as the Firm;

and vii) the custodian will send the client an initial and annual notice confirming the SLOA instructions.

### **Item 16. Investment Discretion**

WRCMS is given the authority to exercise discretion on behalf of the *Funds*. WRCMS takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount and price of securities to be purchased or sold;
- When transactions are made; and
- The *Financial Institutions* to be utilized.

## Item 17. Voting Client Securities

WRCMS votes client securities (proxies) on behalf of its clients. When WRCMS accepts such responsibility, it will only cast proxy votes in a manner consistent with its stated policies and procedures. Clients may contact the Firm to request information about how the Firm voted proxies for that client's securities or to get a copy of the Firm's Proxy Voting Policies and Procedures. *The following is a brief summary of WRCMS's Proxy Voting Committee and Policies and Procedures.*

### Proxy Voting Committee

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The Proxy Voting Committee ("Committee") consists of the members of WRCMS's Investment Committee. Three members of the Committee must be present for a quorum to be met; at least one such member must be a Principal.

The Leader of the Committee is responsible for the following:

- Monitoring proxy voting deadlines;
- Convening the Committee from time to time in anticipation of deadlines;
- Keeping the records of the Committee; and
- Ensuring that proxy votes are submitted to the appropriate parties.

### Proxy Policies and Procedures

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- If a quorum is not met, the Committee is adjourned and reconvened later when a quorum can be met.
- The members of the Committee present pertinent facts from an issuer's solicitation documents to the Committee. Additional information about the issuer that is deemed relevant by the members is also presented and discussed.
- The Committee determines which clients hold notes with voting rights and which vote benefits the positions held by these clients.
- The Committee identifies conflicting interests among clients and the affiliated client accounts. For conflicts between affiliated client accounts and internal-only accounts, including the *Funds*, the Committee votes in accordance with the best interests of the clients. For conflicts between affiliated client (i.e., not internal-only, such as the *Funds*) accounts, the Committee votes each affiliated client account in its individual best interest.
- The Committee determines the appropriate vote for each client and affiliated client which holds notes with voting rights. As noted above, the appropriate vote for different client accounts may differ based on the specific class of notes held by each account and/or the investment objectives of each account.

- The Leader designates a committee member to submit proxy votes and any required representations or proof of ownership to the appropriate parties.
- The Leader keeps records from each Committee meeting using the Proxy Voting Committee record or a similar form as deemed appropriate by the Committee. The record should include the following:
  - Brief summary of solicitation requiring the proxy vote;
  - Client accounts for which proxies are to be voted and votes submitted; and
  - Members of Proxy Voting Committee present
- WRCMS's Chief Investment Officer signs off on the final votes and the Leader keeps this with the Proxy Voting Committee record.

Where WRCMS is responsible for voting proxies on behalf of a client, the client may not direct WRCMS's vote on a particular solicitation. Nonetheless, the client can revoke WRCMS's authority to vote proxies.

### **Item 18. Financial Information**

WRCMS is not required to disclose any financial information pursuant to this Item due to the following:

The Firm does not require the payment of fees;

The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and

The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

## **Wolf River Capital Mississippi, LLC**

Prepared by:



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*The Adviser's Advisor®*