

IBS Capital LLC

Investor Brochure

March 18, 2020

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This brochure provides information about the qualifications and business practices of IBS Capital LLC. If you have any questions about the contents of this brochure, please contact us at (617) 261-5327. 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. An offer to invest in the funds of IBS Capital LLC may only be made through the Private Placement Memorandum and at the invitation of IBS Capital LLC.

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

Item 2 – Material Changes

Effective March 31, 2011, the SEC adopted a new form of Disclosure Brochure for registered investment advisers that includes the information previously required in Form ADV, Part II. This Brochure is required to be updated at least annually, or sooner when material changes to our business take place.

There are no material changes to the Brochure that need to be disclosed to you. Our previous Brochure was dated March 26, 2019.

In the future, this Item will describe specific material changes that have been made to the Brochure and provide clients with a summary of those changes. We will also reference the date of our last annual update of the Brochure.

Each year we will deliver to you, by no later than April 30th, a free updated brochure that includes or is accompanied by a summary of material changes; or a summary of material changes and an offer to provide a copy of the updated brochure and how to obtain it.

We will also provide you with an updated Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting David Taft at (617) 261-5327.

Additional information about the IBS Capital LLC (including copies of both Part 1A and Part 2A of Form ADV) is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with IBS Capital LLC who are registered, or are required to be registered, as investment adviser representatives of IBS Capital LLC.

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Item 4- Advisory Business

IBS Capital Corporation was originally organized in June 1990 as an S corporation and re-organized (for tax purposes) in 2007 as IBS Capital LLC (“IBS”), a Massachusetts limited liability company. IBS is the general partner of The IBS Turnaround Fund (QP) (A Limited Partnership) and The IBS Turnaround Fund, L.P. (collectively, the “Turnaround Funds”), and IBS is the investment manager of The IBS Opportunity Fund, Ltd. (the “Opportunity Fund”) (collectively, the “Funds”). IBS is solely responsible for making all investment and related decisions for the Funds. David A. Taft is the President of IBS and serves as the portfolio manager of the Funds. Mr. Taft and Theresa Taft are the principal owners of IBS.

The primary investment goal of IBS’s portfolios is to generate (i) superior, long-term, after-tax returns (Turnaround Funds) or (ii) superior, long-term, pre-tax returns (Opportunity Fund) for the investors in the relevant Funds through the purchase and sale of securities in companies and countries that have limited downside risk, but substantial appreciation potential. The portfolios are designed to have minimum correlation with the stock and bond markets and for maximum tax efficiency.

For additional information about the Funds, please see the Confidential Private Placement Memorandum for the relevant Fund (each, a “Memorandum”).

Any restrictions on investments in certain types of securities are established by IBS for the applicable Fund and are set forth in the relevant Memorandum received by each investor prior to investment in the Funds. As of December 31, 2019, IBS had approximately \$166,327,000 assets under management across the Funds, all of which is managed on a discretionary basis.

After an initial one-year lockup, the IBS offers investors the right to redeem part of all of their investment on dates described in the relevant Memorandum. Investors should note that IBS has the right to limit or even halt redemptions should the demand from investors for redemptions exceed the ability of IBS to judiciously liquidate assets in a Fund’s portfolio without impairing the value of those assets.

Item 5 – Fees and Compensation

For each Fund, a 1.5% annual management fee is paid quarterly in arrears, in lieu of reimbursing IBS for office space, utilities, administrative services, etc. IBS is allocated an annual performance share equal to twenty percent of the appreciation credited to the accounts of the investors subject to a high water mark. The management fee and any prior years' losses must be earned back before a performance share may be earned. Management fees are deducted directly from the capital accounts of the investors.

Each individual Fund bears its costs for research fees; interest on margin accounts; ongoing legal, audit and accounting fees; borrowing charges for securities sold short; custodial fees; brokerage commissions; bank service fees; interest on loans and debit balances; and any other reasonable expenses related to the purchase, sale or transmittal of the Fund assets, as IBS shall determine in its sole discretion. For more information on brokerage and transaction costs, refer to Item 12.

Item 6 – Performance-Based Fees

For each Fund, IBS is allocated an annual performance share equal to twenty percent of the appreciation credited to the accounts of the investors subject to a high water mark. The management fee and any prior years' losses must be earned back before a performance share may be earned.

Item 7 – Types of Clients

IBS is the general partner of The IBS Turnaround Fund, L.P. and is solely responsible for making all investment and related decisions for the fund. The IBS Turnaround Fund, L.P. is designed for U.S. domiciled, “accredited” investors. IBS also manages a sister fund, The IBS Turnaround Fund (QP) (A Limited Partnership), an identical fund designed for “Qualified Purchasers.” Both funds pursue an identical strategy and hold virtually identical portfolios of investments.

As both Turnaround Funds aggressively focus on maximizing their *after-tax* returns, they are best suited for taxable, U.S. domiciled investors. U.S. tax-exempt investors as well as offshore investors may invest through an offshore sister fund, The IBS Opportunity Fund Ltd., a Bahamian corporation. The Opportunity Fund pursues a similar investment strategy, but focuses on maximizing its *pre-tax* return. Typically, the Opportunity Fund will hold many of the same investments as The IBS Turnaround Funds, but does not maintain an identical portfolio.

The minimum investment is \$1,000,000 for the Turnaround Funds and \$500,000 for the Opportunity Fund. Investments are subject to a one-year lockup. Types of investors include individuals (must be “accredited” investors), family offices, corporations, investment funds and trust, and institutional investors including endowments and foundations.

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

Mr. Taft, IBS’s sole manager, spent fourteen years as an investment banker and trader on Wall Street prior to opening IBS and launching the Funds. From 1990-1994, Mr. Taft traded only for his own account, having developed a strong aversion to the casino-like atmosphere of the stock market. Mr. Taft developed his investment philosophy largely as a result of this aversion to stocks given the market’s violent swings between “irrational exuberance” and unmitigated panic. Mr. Taft prefers to make long-term, event-driven investments in assets that are more likely to perform in a positive fashion as a result of the occurrence of specific events rather than the whims of emotional and uninformed investors. Such investors often exhibit a “herd” mentality as they are easily manipulated by Wall Street research analysts, who are little more than marketing personnel in disguise.

Although over the long run markets value assets fairly, in the short-term markets regularly grossly misprice some assets, especially in distressed situations. In times of crisis, many investors trade on emotion with little regard to publicly available information that admittedly, may be difficult to obtain. The combination of panic, lack of information and lack of liquidity regularly drives some assets far below their fair values creating highly opportunistic investment opportunities for disciplined, value oriented investors. Mr. Taft seeks to uncover information and likely events that are not reflected in securities prices. Mr. Taft is thus willing to challenge and ultimately defy conventional wisdom when seeking out and making investments. Mr. Taft’s strategy is long-term oriented, yet risk averse with an emphasis on minimizing downside risk while maximizing long-term returns.

Investment Objectives

- Generate superior, long-term, *after-tax* returns (Turnaround Funds) and superior, long-term pre-tax returns (Opportunity Fund).
- The primary focus of the Funds is to invest in event-driven distressed, defaulted and deeply discounted assets with substantial appreciation potential.
- Risk of long-term loss is minimized through the maintenance of a highly focused, moderately diversified portfolio (10-15 long positions plus 10-30 short positions) of event-driven investments, which will perform more in line with their individual achievements and failures rather than with the emotional swings of the stock markets.
- Returns are enhanced and systemic market risk reduced through the maintenance of 10-30 event-driven short positions, generally equal to 5-40% of the total portfolio.
- The Funds use the same investment philosophy IBS has used since 1990 in trading for his own account and the account of IBS.

Types of Investments

Investments include, but are not limited to the loans, securities and trade claims of:

- bankrupt companies,
- restructurings,
- out of favor companies or industries
- deeply discounted stocks and bonds of foreign companies and countries and
- special situation equities, including direct investments and private placements.

Investment Methodology

- Identify situations where a specific event such as a restructuring, recapitalization, or introduction of a new product or technology may dramatically improve the value of an investment.
- Take positions that provide significant appreciation potential as the company moves closer toward the achievement of its event. The probability of downside loss is carefully weighed against the probability of upside gain before taking a position in an asset. Investments under consideration that have too great a risk of loss versus their potential gain are excluded from the portfolio.
- Less risk for better returns:
 - Limited downside through an acceptable margin of safety with
 - Very high upside.
- Risk arbitrage orientation to reduce volatility.
- Limited number of investments that can be followed closely.
- Buy slow, sell fast.

Short Sales

- Shorts employ essentially the same strategy used with long investments except the focus is on a negative rather than a positive event.
- Short positions are almost never taken simply as a hedge against the Funds' long positions.
- Each short is made as a unique investment with the intention of delivering a positive return.
- Shorts are thus only indirectly used to hedge market systemic risk.
- Because the Funds are long-term oriented and rarely use leverage, IBS is not willing to accept losses on short positions as a means of reducing short-term volatility.

General Investment Risk

All investments in securities and other financial instruments involve substantial risk of volatility (potentially resulting in rapid declines in market prices and significant losses) arising from any number of factors that are beyond the control of IBS, such as: changing market sentiment; changes in industrial conditions, competition and technology; changes in inflation, exchange or interest rates; changing domestic or international economic or political conditions or events; changes in tax laws and governmental regulation; and changes in trade, fiscal, monetary or exchange control programs or policies of governments or their agencies (including their central banks). Changes such as these, as well as innumerable other factors, are often unpredictable and unforeseeable, rendering it difficult or impossible to predict or foresee future market movements. Unexpected volatility or illiquidity in the markets in which the Funds hold positions could impair its ability to achieve its objectives and cause it to incur losses.

Although IBS believes that the Funds' investment programs should mitigate the risk of loss through a careful selection and monitoring of the Funds' investments, investments in the Funds are nevertheless subject to loss, including possible loss of the entire amounts invested. No guarantee or representation is made that the Funds' investments will be successful, and investment results may vary substantially over time.

STRATEGY RISKS

The business of investing in securities is highly competitive and the identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. Although the focus of the Funds is generate superior, long-term, pre-tax (Opportunity Fund) and after-tax (Turnaround Funds) returns through the purchase and sale of "event-driven" distressed, defaulted and deeply discounted securities and the Funds do not currently intend to use all of the investment vehicles mentioned below, it may, from time to time or at some time in the future use these or other investment vehicles, if thought to be in the best interest of the Funds.

Long Positions

The success of the long positions established for the Funds by IBS depends in large part on IBS's ability to accurately assess the fundamental value of those positions. An accurate assessment of fundamental value depends on a complex analysis of a number of financial and legal factors. No assurance can be given that the Funds will be in a position to assess the nature and magnitude of all material factors having a bearing on the value of the Funds' long positions, or that IBS will accurately assess the impact of all factors of which it is aware.

Short Selling

The Funds expect to sell securities short, which involves the sale of borrowed securities. In order to sell a security short, the Funds must borrow the security from a securities lender and deliver it to the buyer. The Funds are then obligated to return the security to the lender at its request (although the Funds remain free to return the security to the lender at any time prior to the lender's request). The Funds ordinarily fulfill their obligations to return a security previously sold short by acquiring it in the open market.

A short sale by the Funds ordinarily involves a judgment on IBS's part that, subsequent to the sale, the price of the security will fall over time, resulting in profits equal to the difference between the net proceeds of the sale and the cost of acquiring the security (or a security

exchangeable for or convertible into such security) at a later date to fulfill the obligation to return the security to the lender.

The principal risk in selling a particular security short is that, contrary to IBS's expectation, the price of the security will rise, resulting in a loss equal to the difference between the cost of acquiring the security (for return to the lender) and the net proceeds of the short sale. (This risk of loss is theoretically unlimited, since there is theoretically no limit on the price to which the security sold short may rise.)

Another risk is that the Funds may be forced to unwind a short sale at a disadvantageous time for any number of reasons. For example, a lender may call back a stock at a time the market for such stock is illiquid or additional stock is not available to borrow. In addition, some traders may attempt to profit by making large purchases of a security that has been sold short. These traders hope that, by driving up the price of the security through their purchases, they will induce short sellers to seek to minimize their losses by buying the security in the open market for return to their lenders, thereby driving the price of the security even higher.

In certain cases, IBS may find it difficult if not impossible to establish a desired short position because of a limited supply of the security available for borrowing. In these cases, IBS may be compelled to forego a potentially profitable investment opportunity.

Bonds and Other Fixed-Income Securities

The Funds may invest without limitation in bonds and other fixed-income securities. The Funds will invest in these securities when they offer opportunities for capital appreciation and may also invest in these securities for temporary defensive purposes and to maintain liquidity. Fixed-income securities include, among other securities: bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. Government or one of its agencies or instrumentalities ("U.S. Government Securities") or by a foreign government; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed-income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

The Funds may invest in both investment grade and non-investment grade debt securities. Investment grade debt securities are securities that have received a rating from at least one nationally recognized statistical rating organization ("NRSRO") in one of the four highest rating categories or, if not rated by any NRSRO, have been determined by IBS to be of comparable quality. Non-investment grade debt securities (typically called "junk bonds") are securities that have received a rating from a NRSRO of below investment grade or have been given no rating, and are considered by the NRSRO to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Non-investment grade debt securities in the lowest rating categories may involve a substantial risk of default or may be in default. Adverse changes in economic conditions or developments regarding the individual issuer are more likely to cause price volatility and weaken the capacity of the issuers of non-investment grade debt securities to make principal and interest payments than is the case for higher grade debt securities. An economic downturn affecting an issuer of non-investment grade debt securities may result in an increased incidence of default. In addition, the market for lower grade debt securities may be thinner and less active than for higher grade debt securities.

Convertible Securities

The Funds may invest without limitation in convertible securities, including non-investment grade convertible securities. A convertible security (a bond or preferred stock) may be converted at a stated price within a specified period of time into a certain quantity of the common stock of the same or a different issuer. Convertible securities are senior to common stock in an issuer's capital structure, but are usually subordinated to similar non-convertible securities. While providing a fixed income stream (generally higher in yield than the income from common stocks but lower than that afforded by a similar non-convertible security), a convertible security also affords an investor the opportunity, through its conversion feature, to participate in the capital appreciation of the issuer's common stock. The Funds may choose to isolate the debt aspect of a convertible bond by taking a hedging or arbitrage position in the underlying common stock.

Non-Investment Grade Convertible Securities

The Funds may invest without limitation in "noninvestment grade" convertible securities. Non-investment grade convertible securities are considered speculative and may be in poor credit standing or even in default as to payments of principal or interest. Moreover, such securities generally are less liquid than investment grade securities.

Trade Receivables and Bank Loans

The Funds may invest in trade receivables of operating companies as well as bank loans. Like privately issued securities, such instruments are typically difficult to value and may be highly illiquid. Moreover, such instruments are typically in default, and collection on such instruments may be through a lead bank acting as servicer for all participant lenders (in the case of bank loans) or through bankruptcy or other formal or informal collection proceedings. Although trade receivables and bank loans are typically available at substantial discounts to their face values, investments in such instruments should be considered highly speculative.

Foreign Investments

The Funds may invest in American Depositary Receipts ("ADRs"), which are U.S. dollar-denominated equity and debt securities of foreign issuers or directly in foreign securities. Interest or dividend payments on such securities may be subject to foreign withholding taxes. Investments in foreign securities involve considerations and risks not typically associated with investments in securities of domestic companies, including possible unfavorable changes in currency exchange rates, reduced and less reliable information about issuers and markets, different accounting standards, illiquidity of securities and markets, local economic or political instability and greater market risk in general.

Warrants and Rights

The Funds may purchase warrants and rights. Warrants are derivative instruments that permit, but do not obligate, the holder to subscribe for other securities or commodities. Rights are similar to warrants, but normally have a shorter duration and are offered or distributed to shareholders of a company. Warrants and rights do not carry with them the right to dividends or voting rights with respect to the securities that they entitle the holder to purchase, and they do not represent any rights in the assets of the issuer. As a result, warrants and rights may be considered more speculative than certain other types of equity-like securities. In addition, the values of warrants and rights do not necessarily change with the values of the underlying securities or commodities and these instruments cease to have value if they are not exercised prior to their expiration dates.

Securities Lending

The Funds may lend their portfolio securities, primarily through one or more prime brokers. The risks in lending portfolio securities, as with other extensions of credit, consist of possible delay in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially.

Item 9 – Disciplinary Information

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

Item 10 – Other Financial Industry Activities and Affiliations

IBS serves as the general partner to The IBS Turnaround Fund (QP) (A Limited Partnership) and The IBS Turnaround Fund, L.P. IBS also serves as the investment manager to The IBS Opportunity Fund, Ltd.

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

IBS has adopted a Code of Ethics (the "Code") for its employees. The Code describes employee standards of conduct and fiduciary duties and limits personal trading by its employees and their immediate families and household members in a wide range of securities. The Code is based upon the principle that employees owe a fiduciary duty to clients and to conduct their affairs, including their personal securities transactions in a manner to avoid: (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their positions within IBS and (iii) any actual or potential conflicts of interest or any abuse of their positions of responsibility. Personal securities transactions and holdings are reported annually. Both are monitored to review fiduciary responsibility and to limit potential conflicts of interest. A copy of the Code is available to investors and prospective investors during the due diligence process upon request.

IBS may execute cross transactions between its three Funds at prices that are fair to the funds involved and that represent the current values of the securities at the time of the transactions.

Item 12 – Brokerage Practices

IBS is authorized to select the broker to be used for each securities transaction for each fund. In selecting brokers or dealers to execute transactions, IBS need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Instead, IBS has an obligation to ensure that the Funds are receiving "best execution" from the brokers and dealers with which it effects transactions. It is not IBS's practice to negotiate "execution only" commission rates, thus the Funds may be deemed to be paying for other services provided by the broker that are included in the commission rate. In negotiating commission rates, IBS takes into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by such brokers. In addition, IBS is authorized to direct commissions to certain brokers that may be willing to furnish other services ("Additional Services") to IBS, such as telephone lines, news and quotation equipment, electronic office equipment, account record keeping and clerical services, financial publications and economic consulting services. To the extent IBS can obtain both research services and Additional Services from brokers at a negotiated

commission rate that is not higher than the rate it customarily pays for brokerage services alone (although IBS may have to allocate more commission business to brokers who also provide research services and Additional Services), IBS will do so.

Item 13 – Review of Accounts

Each portfolio is reviewed on a continuous basis by IBS. Portfolios are periodically rebalanced to maintain that fund objectives are met and risk exposure is appropriate.

Investors in the Funds will typically receive, among other things, a copy of the audited financial statements of the relevant fund in a timely manner after fiscal year end. In addition, investors typically receive unaudited quarterly statements and quarterly letters following the end of each financial quarter.

Item 14 – Client Referrals and Other Compensation

Item 14 is not applicable to IBS.

Item 15 - Custody

Custodian(s) maintaining fund assets do not send statements to investors in the Funds. Funds are subject to annual audit and audited financial statements are delivered to investors within the prescribed time frame.

Item 16 – Investment Discretion

IBS provides investment advisory services to each of the Funds. Investment advice is provided by IBS directly to the Funds. Any restrictions on investments in certain types of securities are established by IBS for each fund, and are set forth in the documentation received by each investor prior to investment in such fund.

Item 17 – Voting Client Securities

Investors in the Funds are not able to direct IBS in voting proxies held by the Funds. IBS intends to vote proxies or similar corporate actions either in accordance with management recommendations, or otherwise in the best interests of the Funds, taking into account such factors as it deems relevant in its sole discretion. IBS's proxy voting policy is designed to ensure that if a material conflict of interest is identified in connection with a particular proxy vote, that the vote is not improperly influenced by the conflict.

A detailed summary of IBS's proxy voting policies and procedures are available to investors and prospective investors during the investment due diligence process.

Item 18 – Financial Information

IBS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to investors, and has not been the subject of a bankruptcy proceeding at any time during the past ten years.

Item 19 – Requirements for State-Registered Advisers

Item 19 is not applicable to IBS.