

## **Part 2A of Form ADV: Firm Brochure**

### **Grand Slam Asset Management, LLC**

2160 North Central Road

Suite 306

Fort Lee NJ 07304

Tel. 201-346-4335

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**This brochure provides information about the qualifications and business practices of Grand Slam Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 201-346-4335 or [erik@gsламcap.com](mailto:erik@gsламcap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of offering documents and/or other similar materials that contain a description of the material terms relating to such securities, products or services.**

**Additional information about Grand Slam Asset Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Grand Slam Asset Management, LLC may refer to itself as a registered investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended (the "Advisers Act"). These references do not imply a certain level of skill or training.**



## **Item 2 Material Changes**

The date of the last annual update to our firm brochure was February 1, 2019. This year's brochure contains no material changes from that of the prior year.

*The information set forth in this brochure is qualified in its entirety by the applicable offering materials and governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable governing and offering documents, the governing and offering documents shall control.*

*We encourage all investors to carefully review this brochure in its entirety*



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## **Item 4 Advisory Business**

### **Description and Ownership**

Grand Slam Asset Management, LLC (the “Firm”) was founded in March 2001 by Mr. Mitchell Sacks and is eight-five percent (85%) owned by Mr. Sacks and fifteen percent (15%) owned by Mr. Erik Volting. In April 2001, the Firm became the investment advisor for a long/short equity hedge fund, Grand Slam Capital Partners, LP, a Delaware limited partnership (the “Onshore Feeder”) which is focused on investing in U.S. small and micro cap stocks. In September 2003, the Firm became the investment advisor to Grand Slam Capital Master Fund, Ltd., a Cayman Islands company (the “Master Fund”) and Grand Slam Capital Offshore Fund, Ltd., a Cayman Islands company (the “Offshore Feeder” and together with Onshore Feeder, the “Feeder Funds” and with the Master Fund, the “Funds”). These Funds collectively operate as a master-feeder structure with all trading being conducted by the Firm at the Master Fund level.

In addition to the Funds, the Firm serves and may serve as investment adviser and/or sub-adviser to various other advisory clients, including separately managed funds or accounts (each, an “Account”) and other private investment funds. The Firm manages the accounts of each such client in accordance with the terms, conditions, guidelines and limitations set forth in the applicable governing documents, investment management or sub-advisory agreement.

### **Types of Advisory Services the Firm Offers**

In its capacity as investment advisor to the Funds and Accounts, the Firm seeks to produce a total return long-short strategy, focused on value investing in small and micro cap companies and exploiting the historically persistent inefficiencies present in the uncovered and underfollowed small and micro cap universe.

These companies for investment are identified by the Firm through the use of:

- Detailed stock screening tools;
- Bottom-up fundamental analysis;
- Rational valuation process based on historical M&A multiples, competitor trading multiples and private equity analysis;
- A macroeconomic overlay;
- Evaluation of operational risk; and
- Exhaustive due diligence on company management teams and operational systems and practices.

The Firm’s advice is limited to the types of investments listed above and as more fully described in Item 8.

### **Tailoring Advice to the Individual Client Needs**

With regards to the Funds, the Firm only manages one strategy in a master – feeder structure, the Firm does not tailor its advice based on the individual needs of the investors in the Funds.

With regards to Accounts, the Firm will tailor its advice to the individual objectives, strategies, goals, guidelines and limitations of each client as stipulated in the managed account agreement for such client.

- A. The Firm does not participate in a wrap fee program
- B. As of 2/28/2020, the Firm manages \$26.4mm in regulatory client assets, all on a discretionary basis.



## **Item 5 Fees and Compensation**

### **How the Firm is Compensated**

With regards to the Funds, the Firm receives from each of Feeder Fund a management fee at an annul rate equal to (i) one percent (1%) with respect to investors in such Feeder Fund who invested on or before February 2007 and (ii) two percent (2%) with respect to investors in such Feeder Fund who invest after February 2007. This management fee is paid quarterly in advance. The Firm is also entitled to a performance-based fee at the Offshore Feeder level and the Firm's affiliate, Grand Slam General Partners, LLC, as general partner of the Onshore Feeder (the "General Partner") is entitled to a performance-based allocation at the Onshore Feeder level each as discussed in Item 6. **Please see Item 6 Performance-Based Fees and Side-By-Side Management for additional information.** Fees for the Funds are generally not negotiable, however, the Firm may, in its sole discretion, waive the management fee, by rebate or otherwise, with respect to, any investor in the Feeder Funds, including, without limitation, employees of the Firm and its affiliates.

The Firm generally negotiates fees with respect to Accounts on a case by case basis, taking into consideration various factors relating to the services performed by the Firm on behalf of the applicable client. In general, the Firm receives a management fee, paid quarterly in advance, equal to a percentage of the net asset value of the Account. In addition, the Firm may be entitled to receive performance-based compensation (subject to the terms and conditions set forth in the applicable managed account agreement).

### **How the Firm Charges Fees**

With regards to the Funds, management fees charged to the Funds are calculated and deducted directly by the administrator from the relevant Fund's accounts on a quarterly basis.

With regards to Accounts, the Firm presents an invoice to the Account holder on a periodic basis.

### **Other Fees and Expenses**

The Firm and any affiliates retained by it will be reimbursed for certain out-of-pocket expenses incurred on behalf of the Funds and/or Accounts, including, but not limited to, research related travel and entertainment expenses as well as IT, cable, internet and telephone expenses (to the extent such expenses are not paid with soft dollars). Such reimbursable expenses do not include any expense attributable to the Firm's provision of office personnel and space (i.e., rent) required for the performance of its services.

Each Fund is responsible for all ongoing costs and expenses associated with its administration and operation, including but not limited to brokerage commissions, research expenses, insurance premiums, legal and auditing expenses, accounting, administrative, and consultant and other service provider expenses (including fees and expenses associated with any compliance consultant retained by the Funds and/or the Firm with respect to compliance obligations of the Funds and/or the Firm), marketing expenses, travel costs, expenses incurred with respect to furnishing investors with annual reports and other financial information, and similar ongoing operational expenses.

Each Account client is responsible for all costs and expenses of the Account, including: (i) all costs and expenses of transferring the assets to the Account; (ii) all taxes and governmental fees and charges incurred by the Account (including all withholding taxes); (iii) all brokerage commissions and other trading costs and fees, underwriting discounts, sales loads, spreads and other similar charges; (iv) all charges of U.S. Depositories and of any custodian and/or other service providers, including all expenses incurred by the Firm (or its designee) in providing pricing and/or other services; and (v) when appropriate, at the Firm's sole discretion, the Firm's pro rata share of Firm's research related travel expenses and entertainment expenses. Such reimbursable expenses do not include any expense attributable to the Firm or its affiliate's provision of office personnel, space or facilities required for the performance of their services.

**See Item 12 for further details regarding the Firm's brokerage practices.**

### **Reimbursement for Fees Paid in Advance**

Investors in the Feeder Funds can redeem their investments in the Fund only quarterly, on the last day of March, June, September or December. In the unlikely event that there is a redemption prior to the end of the calendar quarter, or in the event subscriptions are accepted other than at beginning of calendar quarter, the management fee will be prorated based upon an investor's actual investment in the Feeder Fund.



**Compensation for the Sale of Securities or Other Investment Products**

Neither the Firm nor any of its supervised persons receive any compensation from the sale of securities or other investment products.



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

With regards to the Funds, the Firm receives a performance-based fee from the Offshore Feeder and the General Partner (its affiliate) receives a performance based allocation from the Onshore Feeder, in each case equal to twenty percent (20%) of the net positive performance of the relevant Feeder Fund's accounts. This performance-based fee/allocation is charged annually, upon an investor withdrawal and such other times as provided in the Fund documents.

The incentive-based compensation is subject to a high water mark in which all prior losses attributable to a Feeder Fund investor's investment must be recouped before any incentive-based compensation may be taken by the Firm (with respect to the Offshore Feeder) or its affiliate (with respect to the Onshore Feeder).

The existence of the performance-based compensation may create an incentive for the Firm or its affiliates to make riskier or more speculative investments on behalf of the Firm's clients.

Whether an Account is charged performance-based compensation will be disclosed in the applicable managed account agreement for the Account.

The Firm may manage Accounts for which it is entitled to receive performance-based fees alongside Accounts for which it is not entitled to receive any performance-based fees. The Firm does manage the Funds (which charge performance-based fees and performance-based allocations as the case may be) alongside one or more Accounts which do not charge performance-based fees. Such side-by-side management could motivate the Firm to favor accounts for which the Firm or its employees or affiliates receive performance-based fees or allocations over other accounts for which such fees are not payable. The Firm attempts to address this conflict by, among other things, adhering to objective allocation policies and procedures and routinely reviewing such allocation policies and procedures, and through disclosure in this brochure. **See Item 12.**



## **Item 7 Types of Clients**

With regards to the Funds, the Firm's clients are hedge funds operating in a master-feeder structure as described in Item 4 whereby the Feeder Funds invest their assets in the Master Fund. The Funds' strategies are effectuated by the Firm at the Master Fund level. Each Feeder Fund has a minimum initial investment requirement of \$500,000. The minimum initial investment amount may be waived at the discretion of the directors of the Offshore Feeder and the General Partner of the Onshore Feeder, as applicable.

Each investor in a Feeder Fund must, among other things, make certain representations and warranties in the Feeder Fund's subscription documents. Subscriptions may be accepted or rejected, in whole or in part, in the Firm's sole discretion. Depending on the Fund and the location of the investor, each investor is generally required to certify that it is, among other things, an "accredited investor" (as such term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the "Securities Act")) and a "qualified client" (as such term is defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act")).

Account clients generally are required to sign managed account agreements that, among other things, set forth the nature and scope of the Firm's investment management authority and the investment objectives, guidelines, restrictions and limitations applicable to Accounts. In addition, if an Account will be charged performance-based compensation, the applicable Account client is required to satisfy that it is a "qualified client" (as such term is defined in Rule 205-3 under the Advisers Act).



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

### **Methods of Analysis and Investment Strategies**

The Firm's investment advice involves investing in small and mid cap securities and carries a high degree of risk of loss that the investors must be prepared to bear. In addition, with regards to Accounts, the Firm will tailor its investment advice to the individual objectives, strategies, goals, guidelines and limitations of each client as stipulated in the managed account agreement for such client.

The Firm focuses its investment advice on purchasing value-oriented, small and mid-sized capitalization companies. Short positions are generally limited to forty percent (40%) (measured at the time of investment) or less of invested capital to provide a partial hedge against individual company, industry or market risk. The identification of targeted long investments is accomplished by running computer models looking for companies with strong balance sheets and low relative valuations, reading press articles which highlight out of favor stocks and industry sectors, and through the Firm's network of contacts. Straight short positions are identified through similar means and generally have deteriorating balance sheets and income statements and high valuation ratios. As part of the Firm's primary due diligence, its principal decision makers carefully evaluate companies using a range of methods which generally include the following:

- Discounted cash flow – cash flows are discounted at a risk adjusted discount rate to arrive at an intrinsic value; and
- Relative valuation – the market capitalization of a company relative to its cash flow, earnings and/or asset value is compared to current and historical trading ranges and M&A transactions of its competitors.

The Firm's second level of due diligence on core positions, generally, includes frequent contact with senior management, site visits to corporate headquarters and other corporate locations, conversations with competitors and industry experts and trips to industry conferences and conventions. The Firm's principal decision makers believe that their backgrounds allow them to recognize companies' strengths and weaknesses that may not be apparent to other money managers.

The Firm believes that the strategy of investing in small and mid-sized capitalization companies is core to utilizing the strengths of its primary decision makers as corporate executives and finance professionals. The Firm believes that this segment contains many companies whose prospects and finances are misunderstood by Wall Street due to their lack of research coverage and the limitations of many institutions in investing in this area. Second, the principal decision makers of the Firm attempt to utilize their relationships to assist management of these companies in raising outside capital and in creating value-added business relationships.

The Firm's value investment strategy concentrates on active, hands-on investments in companies, which typically have many of the following characteristics:

- Viable catalyst for value creation/realization
- Leverageable business model
- Significant insider participation
- Defensible competitive position in a rapidly growing market
- Demonstrated operational and financial performance
- Quality of earnings or ability to achieve rapid and consistent earnings growth
- Attractive assets for acquisition by competitors
- Little or no coverage by Wall Street sell-side analysts

### **Certain Risk Factors**

The Firm's investment strategy carries a significant degree of risk. Investors should give careful consideration to the following risk factors, among others. The following does not purport to be a comprehensive summary of all of the risks associated with an investment; however, the Firm believes that the following constitute the primary risks involved in the investment strategy it implements. There may be other, unforeseen risks that could negatively impact the Firm's clients.

*Potential of Loss.* The Firm's primary strategy entails a high degree of risk. There can be no assurance that the Firm and/or its clients will achieve their investment objective or that the strategies or investments described herein will be successful. Given the factors that are described below, there exists a possibility that a client could suffer a substantial or total loss.



*Illiquidity of Investments.* Some the investments that the Firm recommends may not be very liquid. They may not trade every day or even every week. It could therefore be very difficult for the Firm to sell these investments when it desires to do so and a forced sale may result in a significant price discount. Also, if others are selling illiquid securities that clients are invested in, the “market price” of the securities may appear to be significantly lower than what the Firm believes the investment may ultimately be worth. This is likely to result in significant fluctuations in the value of client portfolios. This is particularly true during periods of high volatility in market prices when investors will often sell their equity investments and seek to buy less risky assets.

*Small and Mid Cap Stocks.* At any given time, the Funds and/or Accounts may have significant investments in the securities of small (\$1.5 billion or less) and mid (from \$1.5 to \$8 billion) capitalization companies. These “small cap” and “mid capital” companies may involve significantly greater risks than securities of larger, well-known companies. This is especially true during period of high market volatility when many investors often choose to sell their small cap investments (thus depressing prices) in favor of investing in larger companies. This can lead to significant decreases in the market value of client portfolios.

There is no limitation on the size or operating experience of the companies in which investments may be made. Some small companies in which the Firm may invest may lack management depth or may not have the ability to raise sufficient capital for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

*Short Selling.* The Firm’s investment programs may include such investment techniques as short selling which practices can, in certain circumstances, maximize the adverse impact to which investments may be subject. A Firm client may sell short securities of an issuer in the expectation of covering the short sale with securities purchased in the open market at a price lower than that received in the short sale. If the price of the issuer’s securities declines, the client may then cover the short position with securities purchased in the market. The profit realized on a short sale will be the difference between the price received in the sale and the cost of the securities purchased to cover the sale. The possible losses from selling short a security differ from losses that could be incurred from a cash investment in the security; the former may be unlimited, whereas the latter can only equal the total amount of the cash investment. Short selling activities are also subject to restrictions imposed by the federal securities laws and the various national and regional securities exchanges, which restrictions could limit the clients’ investment activities. There can be no assurance that securities necessary to cover a short position will be available for purchase.

*Options Trading.* In seeking to enhance performance or hedge risk, the Firm’s clients may purchase and sell call and put options on both securities and stock indexes. Participation in the options markets involves certain investment risks and transaction costs. The correlation between the option prices and the prices of the underlying securities may be imperfect and the market for any particular option may be illiquid at any particular time. Options transactions are normally highly leveraged and, accordingly, gains and losses are magnified. If an investor writes or sells an uncovered option, its losses, theoretically, could be unlimited.

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (paid to establish the short position) of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

A stock index measures the movement of a certain group of stocks by assigning relative values to the common stocks included in the index. Examples of well-known stock indexes are the Standard & Poor’s Composite Index of 500 Stocks and the Standard & Poor’s 100 Index. The value of an index option depends upon the level of the underlying index rather than upon the price of any particular stock. Thus, whether a gain or loss will be realized from the purchase or writing of options



on an index will depend upon aggregate price fluctuations in the stock market, whether generally or in specific sectors, rather than upon the price fluctuations of any particular stock. Successful use of stock index options generally (but not always) depends upon the ability to forecast, with a relatively high degree of accuracy, the direction, magnitude and timing of price fluctuations of the stock market generally. This ability requires skills and techniques different from those used in predicting changes in the price of individual stocks. The effectiveness of purchasing or selling stock index options as a hedging technique may depend upon the extent to which price movements in investments that are hedged correlate with price movements of the stock index selected.

The ability to trade in or exercise options also may be restricted in the event that trading in the underlying securities interest becomes restricted. Options trading may also be illiquid in the event that the Funds' and/or Accounts' assets are invested in contracts with extended expirations.

*Cyber Security Breaches and Identity Theft.* The Firm, its clients and their respective service providers depend on information technology systems and, notwithstanding the diligence that the Firm may perform on such service providers, the Firm may not be in a position to verify the risks or reliability of such information technology systems. The Firm, its clients and their respective service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. The Firm's, its clients' and their respective service providers' information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Firm and its affiliates have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Firm and/or its clients may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Firm's and its clients' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Firm or its clients' reputations, subject any such entity and its respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to the Firm's clients or individual investors by interfering with the Firm's or any affiliates' operations. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose one or more of the Firm's clients or the Firm to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and clients may be required to indemnify the Firm against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

***The foregoing list of risk factors does not purport to be an all-encompassing list or explanation of the risks attendant to the Firm's investment program. In addition, as the Firm's investment program develops and changes over time, the strategy may be subject to additional and different risks. A more comprehensive list of risks is included in the Funds' and Accounts' offering materials. Prospective clients and investors should read this brochure and the applicable offering materials or account documents in their entirety before making any investment decisions.***



## **Item 9 Disciplinary Information**

On January 3, 2011, a Consent Judgment was entered in the U.S. District Court for the District of New Jersey in which Mr. Sacks consented to the entry of a permanent injunction against future securities violations in connection with a 2001 purchase of C-Cube shares and also agreed to disgorge his profits and pay a civil penalty. Mr. Sacks neither admitted nor denied liability in connection with the Consent Judgment. This event did not involve any activity related to the Firm.



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

Neither the Firm nor any of its management persons is, or has an application to become, registered as a broker-dealer or a registered representative of a broker-dealer.

Neither the Firm nor any of its management persons is, or has an application to become, registered as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associate person of the foregoing entities.

Neither the Firm nor any of its management persons has any relationship or arrangement with a related person that is material to the Firm's advisory business or to the Firm's clients except as provided below:

- As discussed in Item 5, the General Partner of the Onshore Feeder is an affiliate of the Firm. The General Partner is entitled to receive an incentive allocation from the Onshore Feeder as discussed Item 6. The relationship between the General Partner and the Firm creates an incentive for the Firm to make investments that are riskier or more speculative than would be the case if the General Partner did not receive incentive compensation from the Onshore Feeder.

The Firm does not recommend or select other investment advisers for its clients.



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

### **Code of Ethics**

The Firm has adopted a code of ethics to which all employees must adhere. The code of ethics, amongst other things, specifies that employees have an obligation of loyalty towards the Firm; under no circumstances are they to use their professional position directly or indirectly for personal purposes by taking unfair advantage of any confidential or inside information or by profiting in any other way from their professional positions. The code of ethics reminds employees that Section 206 of the Advisers Act makes it unlawful for any investment adviser and for its employees:

- to employ any device, scheme, or artifice to defraud a client or prospective client;
- to engage in any transaction, practice, or course of business which defrauds or deceives a client or prospective client;
- knowingly to sell any security to or purchase any security from a client when acting as principal for his or her own account, or knowingly to effect a purchase or sale of a security for a client's account when also acting as broker for the person on the other side of the transaction, without disclosing to the client in writing before the completion of the transaction the capacity in which the adviser is acting and obtaining the client's consent to the transaction; and
- to engage in fraudulent, deceptive or manipulative practices.

The code of ethics also specifies that employees should be extremely careful to avoid any personal conflict of interest with the Firm or its clients. The code of ethics establishes restrictions for employees on personal trading, gift receipts, and outside advisory activities and requires employees to submit personal securities holdings reports when they join the Firm and annually thereafter and personal securities quarterly transaction reports (or account statements/trade confirmations in lieu thereof). These holdings and transactions reports are reviewed by the chief compliance officer. The code of ethics also sets forth standards of business conduct for employees to follow. A copy of the code of ethics is available to any client or prospective client upon request to Erik Volfing.

### **Transactions Involving Conflicts of Interest**

From time to time employees of the Firm may choose to invest in the same securities (or related securities) that are being traded by the Firm's clients. The Firm believes that this may cause one of two possible conflicts of interest: either the employee could be seeking to benefit from the clients' action by taking the other side of the trade (e.g. recommend that a client buy a security so the employee can sell at a better price), or the employee could be seeking to trade ahead of the client (e.g. in response to a significant news event). To mitigate these conflicts, all employee trading must receive the pre-approval of the Firm's chief compliance officer or the Firm's chief executive officer. Generally, approval will be given so long as the employee is not trading against the Firm's recommendations (e.g. selling when the Firm recommends buying) and so long as the employee's activities do not disadvantage the Firm's clients. To ensure the latter, the employee may not trade a security if a client has an active order in that security or if the Firm intends to trade that security during the day. Employees may trade securities held by clients on days when the client is not trading or, on days when the client is trading, after client trades have been completed. As discussed above, employee personal trading and holdings reports are reviewed by the chief compliance officer to ensure compliance with the code of ethics.



## **Item 12 Brokerage Practices**

### **Selection of Brokerage Firms and Soft Dollar Usage**

Portfolio transactions are allocated to brokers by the Firm. The Firm utilizes various brokers to execute, settle and clear securities transactions for the Funds and Accounts. In selecting brokers to effect portfolio transactions, the Firm considers such factors as price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility, and brokerage or research services ("soft dollar items") provided by such brokers. From time to time, it may be cheaper (in aggregate) to pay a broker a higher commission on a large block of shares that can be obtained at or below market, than to pay lower commissions but have the share price increase as the position is being acquired.

Section 28(e) of the Securities Exchange Act of 1934, as amended, establishes a safe harbor (the "Section 28(e) safe harbor" or "safe harbor") allowing investment managers to use client funds, by way of commission dollars, to purchase certain "brokerage and research services."

The Firm does not currently have any soft dollar arrangements in place whereby expenses are paid with soft dollars which are not "eligible research or brokerage services" under the Section 28(e) safe harbor. However, the Firm currently is authorized to use client commissions/soft dollars to "pay up" (i.e., pay more than the lowest commission available) in return for (i) items which are within the Section 28(e) "safe harbor," (ii) expenses outside of the Section 28(e) "safe harbor" that are otherwise payable by the Funds and/or Accounts such as, without limitation, fund administration, accounting, auditing and legal expenses, research related travel expenses and other services and (iii) certain soft dollar items which are outside the "safe harbor" under Section 28(e) which may include computer hardware (including replacement parts) and software, cable and internet equipment (including replacement parts) and services, telephone services, telecommunications equipment (including replacement parts) and related infrastructure and wiring as well as fees and expenses associated with consultants and the maintenance of such equipment.

Section 28(e) safe harbor research services generally include advice, analyses and reports, and may specifically include traditional research reports analyzing the performance of a particular company or stock, certain financial newsletters and trade journals, quantitative analytical software and software that provides analyses of securities portfolios, seminars, conferences and other services that reflect substantive content (i.e., the expression of reasoning or knowledge relating to the subject matter of Section 28(e)) and provide lawful and appropriate assistance to the Firm in the performance of its investment decision making responsibilities on behalf of the Funds and Accounts. Certain equipment and, such as connectivity services between the Firm and the broker and other relevant parties, trading software operated by a broker to route orders to market centers and algorithmic trading software, may be eligible as "brokerage services" under the Section 28(e) safe harbor to the extent such equipment is sufficiently related to the execution, clearing and settlement of securities transactions and other incidental functions.

During the prior fiscal year, the Firm received the foregoing soft dollar items: proprietary research and access to investment conference where the Firm may source investment ideas for its clients. However, since the Funds and Accounts otherwise pay for the Firm's research related expenses (as more fully detailed in Item 5C herein), the Firm does not believe that this practice constitutes a conflict of interest but rather that it is an efficacious and cost effective use of client resources. Brokers providing soft dollar items to the Firm typically charge a higher commission than what the Firm would otherwise pay.

### **Potential Conflicts**

Soft dollar items, whether provided directly or indirectly, may be utilized for the benefit of the Firm and any of its, or its affiliates', other accounts (although the Firm currently manages only the master-feeder structure). The Firm may use client commissions to acquire soft dollar items that the Firm would otherwise be obligated to provide to, or acquire at its own expense for, the Funds and Accounts. Lastly, the Firm has an incentive to select or recommend a broker-dealer based on its interest in receiving the soft dollar items, rather than on the clients' interest in receiving most favorable execution.

Nonetheless, the Firm believes the soft dollar items will provide benefit to the Fund and Accounts by supplementing the research and services otherwise available to a client. In addition, the Firm will use soft dollar items in good faith and will use non-safe harbor items only for those items for which the Funds and Accounts are otherwise obligated to pay pursuant to their documents.



**Directed Brokerage**

While the Funds' offering documents and Account's managed account agreements provide that the Firm may enter into directed brokerage arrangements in its sole discretion, the Firm has not done so and does not intend to do so.

**Brokerage for Client Referrals**

In selecting or recommending brokers, the Firm does not consider whether it or its related persons receive client or investor referrals from such brokers.

**Aggregation of Orders**

The Firm may on occasion trade the same security on behalf of the Master Fund and Accounts. Should this occur, the Firm has an internal procedure for allocating securities and cost between clients. Generally, all clients will receive securities or proceeds at the same average price. Shares traded will be allocated based on the desired portfolio composition of each client.



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

The client portfolios are generally reviewed daily (on each Business Day) by the portfolio managers, Mr. Mitchell Sacks and Mr. Erik Volting, and are actively managed by the Firm. One or both of the portfolio managers will review clients' accounts' holdings each morning through their online access to the reports of the prime brokers. The review will include consideration of position concentration, securities prices vs internal targets, margin requirements and any news affecting the investments. The portfolio managers will typically discuss any rebalancing of the portfolio they think might be warranted prior the start of the trading day. The portfolio is also monitored in real time during the trading day and the portfolio managers will make trading decisions based on price movements and news events as these occur.

The administrator prepares a monthly financial statement package for each of the the Feeder Funds, including a full P&L and balance sheet. The Feeder Funds' underlying investors receive a monthly statement from the administrator detailing the value and performance of their investments in the Feeder Funds. In addition, investors in the Funds receive annual financial statements audited by EisnerAmper LLP, a Public Company Accounting Oversight Board ("PCAOB") registered and inspected independent public accountant, within 120 days of the fund's fiscal year end. All such reports are written.

Accounts will receive statements at such intervals as specified in the managed account agreement.



**Item 14 Client Referrals and Other Compensation**

Please refer to discussion in Item 12 above regarding soft dollar items that may be received by the Firm from brokers in connection with execution of securities transactions. Other than such soft dollar benefits, the Firm does not receive compensation or other economic benefit from anyone who is not a client for providing investment advice or other advisory services to its clients. Neither the Firm nor any of its related persons directly or indirectly compensates any person who is not the Firm's supervised person, for client referrals.



**Item 15 Custody**

The Firm is deemed to have direct custody of the Funds' funds and securities, and indirect custody of the Funds' funds and securities (because the General Partner is an affiliate of the Firm and because Mr. Mitchell Sacks, one the Offshore Feeder's directors, is a related person of the Firm). Wells Fargo Securities LLC, the Funds' prime broker, has custody of the Funds' funds and securities. Investors in the Funds receive annual financial statements audited by EisnerAmper LLP, a Public Company Accounting Oversight Board ("PCAOB") registered and inspected independent public accountant, within 120 days of each Fund's fiscal year end.

The Firm is not deemed to have custody of an Account's funds and/or securities since it does not have authority to move funds and/or securities other than against securities. The Firm may only trade on behalf of an Account as per the Account's managed account agreement.



## **Item 16 Investment Discretion**

### **Discretionary Authority**

The Firm has discretionary authority to manage the securities accounts on behalf of the Funds. The scope of the Firm's authority is detailed in the offering documents of the Funds and governed by the investment management agreement entered into with the Funds and the Firm. The investment management agreement provides very broad discretion to the Firm, except for a limitation on investing in physical commodities and private (not listed) securities. Investment advice is provided by the Firm directly to the Funds, subject to the direction and control of the affiliated General Partner (with respect to the Onshore Feeder) and the directors (with respect to the Offshore Feeder and the Master Fund).

The Firm has such discretionary authority to manage the securities accounts on behalf of the Accounts as set out in the managed account agreement.

### **Limited Power of Attorney**

Each investor in the Funds generally grants to the Firm or its affiliates a limited power of attorney to enable the Firm to execute the applicable governing document agreement on their behalf.

Account clients generally will grant the Firm a limited power of attorney to enable the Firm to perform authorized trading with respect to their Accounts.



## Item 17 Voting Client Securities

The Firm has authority to vote all client securities. The Firm has adopted a proxy voting policy in accordance with Rule 206(4)-6 of the Advisers Act that is available to clients upon request. The Firm does not allow clients to direct how the Firm votes in any particular solicitation. Proxies, when voted, will always be voted in the best interest of the Firm's clients. The Firm shall consider all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote. The Firm has a proxy voting member (the "Proxy Voting Member") that is responsible for deciding how the Firm will vote a proxy. The Proxy Voting Member, along with the Firm's chief compliance officer, shall resolve all material conflicts of interest issues prior to voting. The Firm has established a proxy voting worksheet that enables its personnel to determine if a conflict of interest exists. In the event of a conflict of interest, the chief compliance officer may determine that the Proxy Voting Member (who has the conflict of interest) is to be recused from the deliberations as to how to vote a proxy on a case-by-case basis. In such case, the chief financial officer will serve in the place of the Proxy Voting Member or will appoint a member of the Firm to serve in the place of the Proxy Voting Member. A copy of the Firm's proxy voting policies and procedures and information on how the Firm has voted proxies are available upon request from Erik Volfing, the Firm's chief compliance officer.



**Item 18 Financial Information**

The Firm does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance.

The Firm has no has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.

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



## **General Information**

### **Privacy Policy**

The Firm has adopted policies and procedures reasonably designed to protect various records and information of clients and investors. Except as set forth in the applicable offering materials and as otherwise authorized by each client and/or investor, private information about investors and clients is disclosed only as permitted by applicable law to the Firm's affiliates and service providers, including the Firm's accountants, attorneys, brokers, custodians, transfer agents and any other parties whose services are necessary or convenient to the services the Firm provides. The Firm delivers initial notification of the Firm's privacy policy as part of fund subscription documents.

### **Trade Errors**

Consistent with the Firm's fiduciary duties, the Firm's general policy is to use the utmost care in making and implementing investment decisions with respect to client accounts. To the extent that the Firm makes an error while placing a trade for a client's account, the Firm generally will strive to act in a manner that is consistent with its fiduciary duty to such client and take such actions necessary to fulfill its fiduciary obligations to such client. The Firm's policy is that trade errors must be promptly investigated and resolved. As a general matter, a client account should be placed in the same position as if the trading error had not occurred. A written record of the error and its resolution must be prepared and retained.