

Red Oak Partners, LLC

Form ADV Part 2A - Brochure

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Red Oak Partners, LLC
150 E Palmetto Park Road
Suite 800
Boca Raton, FL 33432

This brochure provides information about the qualifications and business practices of Red Oak Partners, LLC. If you have any questions about the contents of this brochure, please contact us at 212-614-8952. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about Red Oak Partners, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Red Oak Partners, LLC is registered with the Securities and Exchange Commission (the "SEC"). SEC registration does not imply a certain level of skill or training.

Item 2: Material Changes

There are no material changes in this brochure from the last annual updating amendment of Red Oak Partners, LLC on March 28, 2019. Material changes relate to Red Oak Partners, LLC's policies, practices or conflicts of interests only.

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Item 4: Advisory Business

THE COMPANY

Red Oak Partners, LLC ("Red Oak" or "the firm" or "we") is a Florida limited liability company formed on March 24, 2014 and registered as an investment advisor with the SEC in 2014.

As of April 30th, 2014, David Sandberg owned 100% of the shares outstanding.

INVESTMENT SERVICES

Red Oak serves as the investment adviser to private investment funds ("the Partnerships"). Red Oak is responsible for the management of the Partnerships and has discretionary investment authority over the Partnerships' assets. Red Oak may in the future provide investment management services to additional private funds, trusts, individuals and institutional investors. We may also advise our clients in the selection of other investment advisors or mutual funds. Investment decisions are made by Red Oak based on the specific needs, requirements, and investment goals for each client as set forth in each client's respective agreements with Red Oak.

Our investment strategies include investments in a wide variety of securities and financial instruments, domestic and foreign, of all kinds and descriptions, whether publicly traded or privately placed, including, but not limited to, common and preferred stocks, bonds and other debt securities, convertible securities, limited partnership interests, mutual fund shares, options, warrants, commodities, futures, derivatives (including swaps, forward contracts and structured instruments), currencies, monetary instruments and cash and cash equivalents.

WRAP FEE PROGRAMS

Red Oak does not currently offer a wrap fee program.

ASSETS UNDER MANAGEMENT

As of December 2019, Red Oak managed \$ 86,374,963.00 on a discretionary basis.

Item 5: Fees and Compensation

Red Oak reserves the right to negotiate fees. Some clients pay more or less than others depending on certain factors, including but not limited to, the type and size of the account, the range of additional services provided to the client, and the total amount of assets managed for a single client.

The fees that we charge for investment advisory services and payment terms are specified in an agreement between Red Oak and each individual client. Management fees are either payable quarterly in advance and are calculated based on the value of the assets in the account at the beginning of each calendar quarter or paid in arrears based on the value of the assets at the end of each quarter. Management fees are negotiated with each client and the management fee or schedule for any one client may be different from that of another client. Fees for partial periods are pro-rated. Red Oak may reduce or waive management fees for clients as it sees fit, in its sole discretion. For fees paid quarterly in advance, refunds are given on a prorated basis, based on the number of months remaining in a quarter at the point of termination.

OTHER FEES OR EXPENSES

Clients may pay other expenses in addition to the fees paid to Red Oak. For example, clients may pay costs such as brokerage commissions, transaction fees, custodial fees, transfer taxes, wire transfer fees, and other fees and taxes charged to brokerage accounts and securities transactions, which are unrelated to the fees collected by Red Oak. (Item 12 provides more information on our brokerage practices.). Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus and/or financial filings.

PRIVATE INVESTMENT FUNDS

Clients may pay Red Oak a management fee and/or a performance-based advisory fee. These fees are described in the investment management and investment advisory agreements between Red Oak and each of its clients. (Item 6 provides more information about performance-based fees, and Item 10 provides more information about private investment funds.)

SEPARATE ACCOUNTS

Our fees for separate accounts will vary by investment strategy. Such fees are negotiated with each client in a separate account.

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

A performance-based fee is an advisory fee based on a percent of capital appreciation of client assets. Performance-based fees paid to investment advisers may be significantly higher than the asset-based fees paid on traditional accounts.

We typically receive performance-based fees from our Partnerships.

POTENTIAL CONFLICTS OF INTEREST

The receipt of performance-based fees from some separate accounts and our private investment funds creates conflicts of interest. Red Oak can potentially receive higher fees from accounts with a performance-based compensation structure than from those accounts that pay an asset-based fee. For example, Red Oak may have an incentive to direct the best investment ideas to the account that pays a performance-based fee or to allocate or sequence trades in favor of the performance fee account.

To manage these potential conflicts:

- All accounts within a strategy are managed to the strategy's model portfolio.
- Red Oak performs a periodic review of each investment strategy's model portfolio versus each client account. In this review, every position size for each client account is compared to our model weights. In addition, portfolios are monitored for consistency with client objectives and restrictions.
- Red Oak has trade allocation policies and procedures designed to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Red Oak has another potential conflict of interest, as an adviser to both long-only accounts and accounts that hold short positions. We could sell short securities in a long-short account while

causing long-only accounts to hold the same security long. In this case, we could harm the performance of the long-only accounts for the benefit of accounts that execute short sales, which may include performance-based fee accounts. For example, continually selling a position short may depress the stock price which could harm a long-only account if it holds the same security. To manage this conflict, Red Oak does not hold a short position for one client that is being held as a long position for another client.

Item 7: Types of Clients

Red Oak provides investment management services to private investment funds. In the future, Red Oak may accept other types of clients or investors.

For Partnerships managed by Red Oak, the minimum account size for all separate accounts is \$500,000; however Red Oak may agree to accept investments on behalf of the Partnerships below the stated minimum account size.

The requirements for investing in the Partnerships are set forth in the governing documents of each Partnership.

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

RED OAK INVESTMENT STRATEGIES

The Partnerships' investment objective is to seek consistent above average returns primarily through a combination of long-term and short-term investments to achieve capital appreciation, while also attempting to preserve capital and mitigate risk through diversification of investments and hedging activities. No assurance can be given that a Partnership will achieve its objective, and investment results may vary substantially over time and from period to period. A Partnership may also be formed for the purpose of making a single investment in the private equity market.

Most of the Partnerships' assets are invested in publicly traded equity securities of small and micro capitalization ("small/micro-cap") companies and mid-capitalization ("mid-cap") companies. The Partnerships' assets are also invested in the private equity market. In carrying out the Partnerships' investment objective, Red Oak focuses on companies that have a reasonable expectation of producing above average returns. The Partnerships purchases equities that Red Oak believes to be undervalued and lack significant analyst coverage and sells short equities that Red Oak believes to be overvalued. Red Oak invests in companies without regard to market sector.

The Partnerships intends to accomplish its objective by investing primarily in small/micro and mid-cap domestic equities with a market capitalization ranging from \$1 million to \$3 billion that tend to lack significant coverage by analysts in the public investing realm. In carrying out the Partnerships' objective, Red Oak utilizes its extensive research skills and experience in the small/micro and mid-cap markets to identify investment opportunities. Red Oak seeks to invest the majority of the Partnerships' assets in companies involved in special situation events and/or companies with strong stable franchises, a high value-added service or product, attractive industry dynamics, proven managements, consistent excess cash flow, growth at a reasonable price ("GAARP") and other indicators of value. Red Oak will also sell short small/micro and mid cap equities of overvalued and troubled companies.

RISK FACTORS

Investing in securities always involves a risk of loss that investors should understand and be prepared to bear. All our strategies involve significant risk of loss, and you should be prepared to bear this loss, including a total loss of your investment.

Current and prospective clients and investors should refer to the relevant governing documents for risk factors specific to their specific strategies.

The material risks associated with our strategies include but are not limited to:

Equity Market Risk – Overall stock market risks may affect the value of the investments in equity strategies. Factors such as U.S. economic growth and market conditions, interest rates, and political events affect the equity markets.

Management Risk - Our judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated. The value of an individual security can be more volatile than the market as a whole or our intrinsic value approach may fail to produce the intended results. Our estimate of intrinsic value may be wrong or even if our estimate of intrinsic value is correct, it may take a long period of time before the price and intrinsic value converge.

Micro Cap and Small Cap Company Risk – Investments in micro-cap and small cap companies may be riskier than investments in larger, more established companies. The securities of these companies may trade less frequently and in smaller volumes than securities of larger companies. In addition, micro-cap and small cap companies may be more vulnerable to economic, market and industry changes. Because smaller companies may have limited product lines, markets or financial resources, or may depend on a few key employees, they may be more susceptible to particular economic events or competitive factors than larger capitalization companies.

Short Sale Risk – Short sales are speculative transactions and involve special risks. In order to initiate a short position, a security must be borrowed. Strategies that execute short sales may incur a loss if the price of the security sold short increases in value between the date of the short sale and the date when we purchase the security to replace the borrowed security. Losses are potentially unlimited in a short sale transaction.

Fixed Income Market Risk – Fixed income securities increase or decrease in value based on changes in interest rates. If rates increase, the value of fixed income securities generally declines. On the other hand, if rates fall, the value of the fixed income securities generally increases.

Credit Risk – There is a risk that issuers and counterparties will not make payments on the securities they issue. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security which may affect liquidity and our ability to sell the security.

Real Estate Risk – Real Estate Investment Trusts (REITS), although not a direct investment in real estate, are subject to the risks associated with investing in real estate. The value of these securities will rise and fall in response to many factors including economic conditions, the demand for rental property and changes in interest rates

Structured Instrument Risk – Structured instruments may be less liquid than other debt securities, and the price of structured instruments may be more volatile. Although structured instruments

may be sold in the form of a corporate debt obligation, they may not have some of the protection against counterparty default that may be available with publicly traded debt securities.

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 firm or the integrity of the firm's management in this item.

Red Oak has no material legal or disciplinary events to report.

Item 10. Other Financial Industry Activities & Affiliations

RELATIONSHIPS OR ARRANGEMENTS WITH RELATED PERSONS

Red Oak has no relationships or arrangements that are material to its advisory business or to its clients with related persons except as described below.

INVESTMENT COMPANY OR OTHER POOLED INVESTMENT VEHICLES

Red Oak serves as the investment manager to the Partnerships. Certain of the Partnerships may be organized as limited partnerships or limited liability corporations whose general partners are affiliates of Red Oak. Certain compensation may be received by such general partners from the Partnerships. The terms of such arrangements are set forth in the Partnerships' governing documents.

Red Oak manages five pooled investment vehicles, the details of which are set forth below. Additional pooled investment vehicles may be organized, offered and managed from time to time.

Pinnacle Opportunities Fund LP, organized as a Delaware limited partnership

The Red Oak Fund, LP, organized as a Delaware limited partnership

The Red Oak Long Fund, LP, organized as a Delaware limited partnership

The Red Oak Institutional Founders Long Fund, LP, organized as a Delaware limited partnership

Red Oak SG LLC, organized as a Delaware limited liability company

SPONSOR OR SYNDICATOR OF LIMITED PARTNERSHIPS

See "Investment Company or Other Pooled Investment Vehicles" above.

SOLICITOR FEES

Red Oak may enter into an agreement with a broker-dealer or registered investment advisor in which Red Oak pays a set percentage of its management fee and/or performance-based fee to the referring broker-dealer or registered investment advisor. These arrangements, often referred to as Solicitor's Agreements, are more specifically discussed in Item 14.

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

CODE OF ETHICS & PERSONAL TRADING

Red Oak has adopted a Code of Ethics for all employees of the firm describing our high standards of business conduct, fiduciary duty to our clients, and rules surrounding personal securities trading by our employees.

All Red Oak employees must accept in writing the terms of the Code of Ethics upon employment, annually, or as amended.

Red Oak clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the firm's Chief Compliance Officer, by sending an e-mail to apertierra@redoakpartners.com.

RECOMMENDATIONS INVOLVING MATERIAL FINANCIAL INTERESTS

Red Oak does not recommend that clients buy or sell any security in which a related person has a material financial interest. However, in the future Red Oak may determine that it is in the best interests of a client to recommend such a transaction. In such a case, Red Oak will not recommend such a transaction without first addressing the conflict of interest that is created by such relationship according to such client's governing documents and the Code of Ethics and policies and procedures of Red Oak. In all cases, Red Oak will ensure that all such transactions are fair and conducted at arms-length.

PARTICIPATION IN CLIENT TRANSACTIONS

Red Oak may recommend to its clients the purchase or sale of private investment funds for which Red Oak serves as investment adviser, administrator, general partner, or manager. (A discussion of these funds may be found in Item 10 above.). Red Oak earns both a management fee and a performance-based fee on the private investment funds. (A discussion of these fees may be found in Items 5 and 6.). Therefore, potential conflicts of interest exist and are addressed as described in Item 6.

A portion of Red Oak's corporate investment portfolio may be invested in mutual funds or in private investment funds for which Red Oak serves as investment adviser, administrator, general partner, or manager. Employees may also own interests in the private investment funds. These investments may cause a conflict of interest between Red Oak and its advisory clients.

From time to time, representatives of Red Oak may buy or sell securities for themselves that they also recommend to clients. Prior to effecting any such purchases or sales, representatives must consult with Red Oak's Chief Compliance Officer and receive approval pursuant to Red Oak's Code of Ethics. Red Oak will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

Item 12: Brokerage Practices

FACTORS CONSIDERED IN SELECTING OR RECOMMENDING BROKER-DEALERS FOR CLIENT TRANSACTIONS

Obtaining the best trade execution is an important aspect of every trade that we place in a client account. Red Oak selects the brokers to use to execute trades and determines the reasonableness of their compensation based on the range and quality of a broker's services including execution capability, trading expertise, accuracy of execution, commission rates, research, reputation and integrity, fairness in resolving disputes, financial responsibility, and responsiveness.

Red Oak's traders use various trade execution management systems to ensure proper trade management, including fair order allocation and best execution. We have controls in place for monitoring execution in our clients' portfolio transactions, including reviewing trades for best execution. Certain broker-dealers that Red Oak uses to execute client trades may also be clients of Red Oak and/or refer clients to Red Oak creating a conflict of interest. To mitigate this conflict, we adopted a policy that prohibits us from considering any factor other than best execution when a client trade is placed with a broker-dealer.

RESEARCH AND OTHER SOFT DOLLAR BENEFITS

Red Oak does not have any commitments or understandings to trade with specific brokers or to generate a specified level of brokerage commission with a particular broker in order to receive brokerage or research services. These commitments or understandings are generally known as soft dollar arrangements. While currently it is not the case, certain brokers through whom Red Oak executes trades may provide unsolicited proprietary research (research created or developed by the broker) to us. This research is used for all client accounts, even though certain clients may not have paid direct commissions to the brokers who provided the research. This research could include a wide variety of reports, charts, publications or proprietary data on economic and political strategy, credit analysis, or stock and bond market conditions and projections. In addition to unsolicited research, certain brokers may provide invitations to attend conferences and meetings with management representatives of issuers or with other analysts and specialists.

Receipt of research from brokers who execute client trades involves conflicts of interest. An adviser that uses client brokerage commissions to obtain research, products, or services receives a benefit because it does not have to produce or pay for the research, products, or services itself. Consequently, the adviser may have an incentive to select or recommend a broker based on its desire to receive research, products, or services rather than a desire to obtain the most favorable execution, which is in the clients' best interest.

Brokers providing research services, even on an unsolicited basis, may charge commissions for executing portfolio transactions that are higher than the amount of commissions that other brokers would charge for effecting the same transactions. To mitigate this conflict, we adopted a policy that prohibits us from considering any factor other than best execution when a client trade is placed with a broker-dealer. Red Oak does not consider referrals when we select or recommend broker-dealers to clients.

DIRECTED BROKERAGE & AGGREGATED TRADES

Although we discourage clients from directing trades to a broker-dealer (directed brokerage), we may have clients who request directed trades. Transactions for these clients will generally be

executed following the execution of portfolio transactions in other client accounts where Red Oak has full discretion to execute trades. In the event that we do accommodate a directed brokerage relationship, our standard operating procedure will be to place the trade with an executing broker on our approved broker list with instructions to complete the trade through the client-directed broker.

Clients who request directed trades may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs and may also receive less favorable prices and execution.

Item 13: Review of Accounts

PERIODIC REVIEW

Red Oak performs various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio. Such reviews are conducted by the relevant staff responsible for each client.

TRIGGERED REVIEW

A review of a client portfolio may be triggered by any unusual activity of special circumstance that Red Oak reasonably believes could affect such client's portfolio.

CONTENT AND FREQUENCY OF REPORTS

Red Oak may issue a monthly letter to clients and investors. These letters may include comments on the general state of the economy and markets, updates on investments and performance, along with information specific to each client.

Item 14: Client Referrals and Other Compensation

Other than the compensation described in Items 5, 6 and 12, Red Oak does not receive an economic benefit from anyone other than its clients. (You may find more information about these relationships in Item 10.).

Red Oak may enter into agreements with broker-dealers or investment advisers that are referred to as Solicitor's Agreements. Under such agreements, Red Oak would pay a percentage of the management fee and/or performance-based fee collected from the Partnerships to a referring broker-dealer or investment adviser. In such cases, the Partnerships will not be charged fees higher than the standard fees described in Item 5. (See Item 5 for a discussion of Fees and Compensation.).

Item 15: Custody

In certain circumstances, Red Oak may be deemed to have custody over client assets. In such a circumstance, Red Oak will comply with the custody rules promulgated under the Investment Advisers Act of 1940 applicable to pooled investment vehicle managers. In all other circumstances, assets are held with banks or prime brokers that are "qualified custodians." Clients will receive tax documents, as well as other documents, from Red Oak or an affiliate at least annually. We urge clients to review those documents carefully and compare the documents they receive from the custodian to the documents they receive from us.

Custody is disclosed in Form ADV because Red Oak Partners, LLC has authority to transfer money from client account(s), which constitutes a standing letter or authorization (SLOA). Accordingly, Red Oak Partners, LLC will follow the safeguards specified by the SEC rather than undergo an annual audit.

Item 16: Investment Discretion

Red Oak manages certain client assets on a discretionary basis, pursuant to a power of attorney granted to Red Oak in the governing documents of each client. Accordingly, Red Oak has the authority to determine, without obtaining specific consent, the securities and other investments to be bought and sold and the amount of securities or other investments to be bought and sold. Red Oak's discretionary authority to manage securities and other investments on behalf of certain of its clients is subject to the investment objectives, guidelines and restrictions set forth in each client's governing documents.

Item 17: Voting Client Securities

Red Oak has the authority to vote proxies for client accounts managed on a discretionary basis. We do not frequently utilize third party proxy voting services. When we vote proxies, our objective is to maximize the value of the securities held in clients' portfolios. We will pay attention to the following matters in exercising our proxy voting responsibilities for our clients:

Accountability. Each company should have effective controls in place to hold those entrusted with managing a company's business accountable for their actions. Company management should be accountable to its board of directors and the board should be accountable to shareholders.

Alignment of Management and Shareholder Interests. Each company should seek to align interests of management and the board of directors with the interests of the company's shareholders. For example, we generally believe that compensation should be designed to reward management for creating value for the shareholders of the company.

Transparency. Each company should provide timely disclosure of important information about its business operations and financial performance to enable investors to evaluate the company's performance and to make informed decisions about the purchase and sale of the company's securities. You may obtain a copy of our proxy voting policy upon request.

Item 18. Financial Information

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. Red Oak has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding. Red Oak does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.