

# **WOLF HILL CAPITAL MANAGEMENT, LP**

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## **FORM ADV**

### **PART 2A BROCHURE**

**Updated as of: March 5, 2020**

#### **ITEM 1: COVER PAGE**

This brochure provides information about the qualifications and business practices of Wolf Hill Capital Management, LP (“Wolf Hill,” the “Investment Manager,” the “Firm,” “us” or “we”). If you have any questions about the contents of this brochure, please contact us at (646) 933-5538 or by email at [gchew@wolfhillcap.com](mailto:gchew@wolfhillcap.com). 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 authorities.

Our registration with the SEC does not imply that any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

Additional information about Wolf Hill Capital Management, LP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The IARD/CRD number for Wolf Hill Capital Management, LP is 306712.

**ITEM 2: MATERIAL CHANGES**

This is the initial filing of Form ADV Part 2A for Wolf Hill Capital Management, LP.

In the future, this Item 2 will only discuss specific material changes that have been made since the last filing and will provide a summary of those changes, which will be reflected below.

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#### **ITEM 4: ADVISORY BUSINESS**

A. Wolf Hill Capital Management, LP was founded in October 2018 and is organized as a limited partnership under the laws of the State of Delaware. Wolf Hill's principal owner is Gary Lehrman, Founder and Chief Investment Officer.

B. Wolf Hill is an investment adviser providing discretionary investment advisory services to a variety of clients utilizing a long and short investment strategy investing in equity and debt securities of issuers where the Investment Manager believes it has a margin of safety and a highly asymmetric risk/reward ratio based on the Investment Manager's fundamental valuation work.

Currently the Firm manages the assets of two privately pooled investment vehicles pursuant to a mini master investment structure. The Firm's two clients are:

- Wolf Hill Partners, LP, a Delaware limited partnership (the "Onshore Fund")
- Wolf Hill Offshore Fund, Ltd., a Cayman Islands exempted company (the "Offshore Fund")

The Onshore Fund and the Offshore Fund are collectively referred to herein as the "Funds" or the "Clients" and each a "Client". The Offshore Fund invests all or substantially all of its assets in the Onshore Fund.

C. The investment services offered by Wolf Hill with respect to any Client are subject to the terms and conditions set forth in the offering documentation of such Client. Investors in a Fund generally may not impose restrictions on the types of securities or investments that are made on such Fund's behalf. While not presently contemplated, any separately managed account clients may be able to impose restrictions on the types of securities or investments that will be made on their behalf.

D. We do not currently offer wrap fee programs.

E. Our total assets under management as of March 1, 2020 were approximately \$47 million, all of which are managed on a discretionary basis.

#### **ITEM 5: FEES AND COMPENSATION**

A. Wolf Hill's Clients are all qualified purchasers; we discuss our fee schedule with our Clients. It should be noted that Wolf Hill's fees may be waived or reduced in certain instances in the sole discretion of Wolf Hill.

B. Wolf Hill deducts any management fees payable by a Fund with respect to investors directly from such Fund on a quarterly basis, in advance. In this instance, Wolf Hill will prorate management fees with respect to any partial period as further described in each Fund's offering documents.

C. Each Fund pays for all of its own expenses as detailed in the offering and related documents of such Fund. Other types of fees or expenses Clients may pay in connection with our advisory services include, but are not

limited to: (a) all Client costs, expenses and charges incurred in connection with the investment and trading activities of the Client (e.g., brokerage commissions, mark-ups, margin interest, expenses related to short sales, custodial fees, clearing and settlement charges and other transaction costs to brokers), (b) professional and other advisory and consulting expenses, monitoring or the assertion of rights or pursuit of remedies (including, without limitation, pursuant to bankruptcy or other legal proceedings, or participation in informal committees of creditors or other security holders of an issuer), (c) all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims by or against the Client, (d) interest on, and fees and expenses arising out of, all borrowings made by the Client, (e) expenses related to third party research, publications, data and data services, including real time pricing and market information (such as Bloomberg and Reuters services) and historical pricing and other data, order management system, portfolio management system and risk management system and advisory, (f) costs of compliance with applicable laws and regulations of governmental and self-regulatory bodies, including costs incurred by any general partner, the Investment Manager and their respective affiliates in complying with laws and regulations that apply to any such entities as a result of their services to a Client, (g) costs associated with regulatory filings including but not limited to Form PF, and (h) all other reasonable expenses related to the management and operation of a Client and/or the purchase, sale or disposition of the interests of a Client, including, in the case of any expenses directly related to a Client's and one or more of its related funds' investments, any portion of any such joint expenses that its general partner determines are properly and ratably allocable to such Client.

*See Item 12 of this brochure for additional information regarding Wolf Hill's brokerage practices.*

D. All asset-based management fees chargeable by Wolf Hill are generally taken in advance. In the event of a withdrawal by an investor in a Fund other than as of the last day of a calendar quarter, a pro rata portion of the management fee, based upon the actual number of days remaining in such quarter, will be repaid by Wolf Hill to such Fund for the benefit of such withdrawing investor to the extent such management fee was taken in advance.

E. Wolf Hill and its supervised persons do not accept any compensation (e.g., brokerage commissions) for the sale of securities or other investment products, including interests or shares in the Funds, as applicable.

#### **ITEM 6: PERFORMANCE-BASED FEES**

An affiliate of Wolf Hill, Wolf Hill General Partner, LLC, the general partner to the Funds (the "General Partner"), is entitled to receive from the Funds (received at the Onshore Fund level) a performance-based allocation generally at the end of each calendar year. The performance allocation is an amount equal to a percentage (as set forth in the governing documents) of the net increase of each investor's capital account or shareholdings, as applicable (that is, a share of capital gains on, income derived from, or appreciation of the investment (whether realized or unrealized) in the applicable Fund, measured at the beginning of such calendar year and subject to a high-water mark.

Performance-based compensation may create an incentive for Wolf Hill to make more speculative investments than would otherwise be made or make decisions regarding the timing and manner of realization of investments differently than if such allocations were not received.

## **ITEM 7: TYPES OF CLIENTS**

As set forth above in Item 4 of this brochure, we currently provide advisory services to the Funds, which are pooled investment vehicles.

The Funds generally require a minimum subscription amount of US \$1,000,000; however, we may accept lesser amounts in our sole discretion.

Details concerning applicable investor suitability criteria are set forth in the respective Fund's governing documents. Investors must also meet certain suitability qualifications, such as being (i) an "accredited investor" as defined under Rule 501(a) of Regulation D of the Securities Act of 1933, as amended and (ii) a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended. Wolf Hill may accept or reject any subscriptions in its sole and absolute discretion for any or no reason.

## **ITEM 8: METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Investment Strategy**

Wolf Hill's investment strategy, which pursues long and short investments in public equities, and distressed corporate bonds using a proven process of identifying and profiting from highly asymmetric investment opportunities. The Investment Manager will employ a research-intensive investment process focused primarily on North American companies undergoing some type of announced or expected transformational change. A Fund's portfolio will be concentrated in an eclectic mix consisting of the Investment Manager's most compelling 15-20 (on average) long and short ideas, often in middle market companies that tend to be underfollowed by many other investment managers and sell-side broker dealers.

### **B. Methods of Analysis**

**Fundamental Research.** Ideas will be vetted by rigorous fundamental research that will seek to filter out investments with unquantifiable and unknowable risks and emphasize straight-forward business models that we believe are on the cusp of significant inflection points in operational performance. Individual positions will generally fall into one or more of the following categories: operational turnarounds, levered-equity stubs, public LBO's, and long-term compounders. Margin of safety and mean-reversion of financial and operating metrics are the cornerstones of our investment philosophy.

**Risk Management.** The Investment Manager believes that there is a high cost to being reactive in managing risk. Positions are continuously re-underwritten and filtered through our proprietary position ranking system to help ensure that position sizing is consistent with current facts. We do not adhere to position-level stop loss triggers, rather we utilize a volatility-budgeting process whereby we manage to a volatility budget at a Fund level. If the daily volatility of the fund is overextended relative to our vol-budget, we will proactively reduce risk. As the portfolio draws down, we reduce the overall daily vol profile of a Fund. As a Fund generates profits the volatility budget increases.

In addition to research and analysis of portfolio companies and a variety of short-term trading strategies, the Funds' investment strategy will utilize a variety of risk management techniques. The basic strategy of short-term, active trading is intended to reduce a Fund's exposure to longer term positions and price declines. In addition, the Investment Managers may impose from time to time specific sell disciplines, with both review and sale decisions to be made at pre-determined levels of price declines. Although total market hedging will not be an objective of a Fund, the Investment Manager may endeavor to reduce market exposure through the use of short selling, option strategies or other put protection.

**Investment Technique.** In seeking to achieve our investment objective, we utilize a variety of investment techniques, including the use of short selling, leverage, options and derivatives. We have the right to utilize other investment techniques in furtherance of these investment objectives.

### C. Material Risks

The following is an explanation of the material risks that Wolf Hill believes are associated with its investment strategy. Unless stated otherwise, each risk applies to all of the Funds and references to "the Fund" means each Fund and any future SMA clients. Further discussion of these and other risks associated with an investment in each Fund are set forth in the applicable Fund's governing documents. The following risk factors do not purport to be a complete list or explanation of all the risks associated with an investment in one or more of the Funds.

**Risk of Loss.** An investment in the Funds involve a substantial degree of risk and is intended and appropriate only for Investors whose sophistication and financial resources are sufficient to enable them to evaluate such an investment and to assume such risks, including the risk of complete loss of their investment. In evaluating whether to invest in the Fund, prospective investors are encouraged to carefully consider the following risk factors, among others. The various risks discussed below are not the only risks associated with an investment in the Fund. Investors are urged to consult with their own financial, legal and tax advisors before making any decision regarding an investment in the Fund.

**Investment and Trading Risks.** All investments risk the loss of capital. No guarantee or representation is made that the Fund's program will be successful. A Fund's investment program involves, without limitation, risks associated with limited diversification, interest rates, currencies, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in the Fund's activities. Certain investment techniques of a Fund may, in

certain circumstances, substantially increase the impact of adverse market movements to which the Fund may be subject. In addition, the Fund's investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally or in markets where a Fund invests its assets.

The Investment Manager's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

**Long/Short Equity.** The Funds will pursue a long/short equity strategy. Because a long/short equity strategy involves identifying securities which are generally undervalued (or, in the case of short positions, overvalued) by the marketplace, success of this strategy necessarily depends upon the market eventually recognizing such value in the price of the security, which may not necessarily occur or may occur over extended time frames which limit profitability. Positions may undergo significant short-term declines and experience considerable price volatility during these periods. In addition, long and short positions may or may not be correlated to each other. If the long and short positions are not correlated, it is possible to have investment losses in both the long and short sides of the portfolio.

**Equity Risks.** A Fund will invest in equity securities. The market price of securities owned by a Fund may go up or down, sometimes rapidly or unpredictably. A risk of investing in a Fund is that the equity securities in its portfolio will decline in value due to factors affecting equity securities markets generally or the sectors in which a Fund will invest. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which the Investment Manager believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Investment Manager anticipates. As a result, a Fund may lose all or substantially all of its investment in any particular instance.

**Competition and Supply for Fixed Income Securities.** A Fund's potential for capital appreciation and interest for its Investors will depend, in large part, on the Investment Manager's ability to acquire investments for the Fund on advantageous terms. A Fund intends to purchase fixed income securities from investment banking firms, traders and portfolio managers). In acquiring fixed income securities, the Fund will compete with a broad spectrum of institutional investors, many of which have greater financial resources, than a Fund. Increased competition for, or a reduction in the available supply of, qualifying



investments could result in higher prices for, and thus lower yields on, such investments, which could further narrow the yield spread over borrowing costs.

**Concentration of Investments.** A Fund is not limited in the amount of capital that it may commit to any one investment and, in fact, a Fund will have concentrated positions within its portfolio. Allocation of a large portion of a Fund's capital to one or a small number of investments could increase the risk of investing in the Fund because of the lack of diversification in its portfolio. The concentration of a Fund's portfolio in a limited number of issuers, industries or strategies will subject a Fund to a greater degree of risk with respect to the failure of one or a few issuers or with respect to economic downturns in relation to such industry. A Fund may face similar risks with respect to concentration of investments in a particular country.

**Use of Leverage.** The Investment Manager may use leverage and borrowing. Such leverage may be achieved through, among other methods, borrowing funds, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements and swaps. A Fund may also borrow or use leverage in its portfolio. A Fund may borrow funds from brokers, banks and other lenders to finance their investing and trading operations, which borrowings may be secured by assets of a Fund. The use of such leverage can, in certain circumstances, maximize the losses to which a Fund's investment portfolios may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that particular assets or the Fund as a whole are leveraged. The cumulative effect of the use of leverage by a Fund in a market that moves adversely to a Fund's investments could result in a substantial loss to a Fund, which would be greater than if a Fund were not leveraged.

**Use of Derivatives.** The Investment Manager may use derivative instruments, including without limitation, option contracts, swap agreements and forward contracts, and derivative techniques, including without limitation, synthetic short sales, for various hedging and/or speculative purposes. The use of such instruments and techniques may result in leveraging the assets of a Fund, thereby exposing a Fund to significant risks.

Among other things, the prices of derivative instruments can be highly volatile. Price movements of derivative instruments are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Uncertainties remain as to how the markets for these instruments will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by a trader, thereby causing substantial losses. Many of these instruments are not traded on exchanges but rather through an informal network of banks and dealers

who have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force a trader to close out its positions).

Options. There are various risks inherent in options trading. For example, the seller (writer) of a covered call option (*i.e.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security to a level below the purchase price of the security, less the premium received by the writer for writing the option. The writer of a covered call option also 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 the premium invested in the option. The seller (writer) of a covered put option (*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 (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option less the premium received on the put option. The buyer of a put option assumes the risk of losing the premium it paid to purchase the put option. There is an unlimited risk of loss associated with selling options.

The options markets have the authority to prohibit the exercise of particular options, which if imposed when trading in the option has also been halted, would lock holders and writers of that option into their positions until one of the two restrictions has been lifted.

The Investment Manager also may trade options on futures contracts. Such an option is a right, purchased for a certain price, to either buy or sell the underlying futures contract during a certain period of time for a fixed price. Trading options on futures is speculative and highly leveraged. Specific market movements of the futures contracts underlying an option cannot accurately be predicted. If the Investment Manager purchases an option, it will be subject to the risk of losing the entire purchase price of the option. On the other hand, if the Investment Manager writes (sells) an option, it will be subject to the risk of loss resulting from the difference between the amount received for the option and the price of the futures contract underlying the option which the Investment Manager must purchase or deliver upon exercise of the option.

Futures. In the futures markets, margin deposits typically range between 2% and 15% of the value of the futures contract purchased or sold. Because of these low margin deposits, futures trading is inherently highly leveraged. As a result, a relatively small price movement in a futures contract may result in immediate and substantial losses to the trader. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. A decrease of more than 10% would result in a loss of more than the total margin deposit.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Investment Manager from promptly liquidating unfavorable positions and thus subject the Fund to substantial losses. In addition, the Investment Manager may not be able to execute futures contract trades at favorable prices if little trading in the contracts involved is taking place. It also is possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

Certain commodity exchanges have also established limits, referred to as “position limits,” on the maximum net long or net short positions which any person may hold or control in particular commodity futures contracts. The Investment Manager may have to modify its investment and trading decisions, and might have to liquidate positions, in order to avoid exceeding such limits. If this should occur, it could adversely affect the profitability of the Fund.

Combination Transactions. The Investment Manager may engage in spreads or other combination options transactions involving the purchase and sale of related options and futures contracts. These transactions are considerably more complex than the purchase or writing of a single option. They involve the risk that executing simultaneously two or more buy or sell orders at the desired prices may be difficult or impossible, the possibility that a loss could be incurred on both sides of a multiple options transaction, and the possibility of significantly increased risk exposure resulting from the hedge against loss inherent in most spread positions being lost as a result of the assignment of an exercise to the short leg of a spread while the long leg remains outstanding. Also, the transaction costs of combination options transactions can be especially significant because separate costs are incurred on each component of the combination.

Straddles. In straddle writing, where the investor writes both a put and a call on the same underlying interest at the same exercise price in exchange for a combined premium on the two writing transactions, the potential risk of loss is unlimited. To the extent the price of the underlying interest is either above or below the exercise price by more than the combined premium, the writer of a straddle will incur a loss when one of the options is exercised. If the writer is assigned an exercise on one option position in the straddle and fails to close out the other position, subsequent fluctuations in the price of the underlying interest could cause the other option to be exercised as well, causing a loss on both writing positions.

Forward Trading. The Investment Manager may utilize forward contracts and options thereon which, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market in which the Investment Manager trades due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the Fund. Market illiquidity or disruption could result in major losses to the Fund.

In the forward markets, margin deposits may be even lower than in other markets or may not be required at all. Such low or non-existent margin deposits are indicative of the fact that any trading in the forward markets typically is accompanied by a high degree of leverage.

Investing in the forward markets typically is accompanied by a high degree of leverage.

Swaps. The Investment Manager may enter into swap agreements and options on swap agreements (“swaptions”). These agreements can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. The Fund, for instance, may enter into swap agreements with respect to interest rates, credit defaults, currencies, financial instruments, indexes of financial instruments and other assets or other measures of risk or return. Depending on their structure, swap agreements may increase or decrease exposure to, for example, equity financial instruments, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. The Investment Manager is not limited to any particular form of swap agreement. Whether the Investment Manager’s use of swap agreements or swaptions will be successful will depend on its ability to select appropriate transactions. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Investment Manager’s portfolio. Moreover, the Fund will bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Fund will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Fund to

post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Investment Manager's ability to terminate swap transactions or to realize amounts to be received under such transactions.

**Hedging and Arbitrage Strategy.** The use of "hedged" or arbitrage strategies does not necessarily mean these strategies are relatively low risk. Substantial losses may be recognized on hedge or arbitrage positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculation. Every hedge or arbitrage strategy involves exposure to some second order risk of the markets, such as the implied volatility in convertible bonds or warrants, the yield spread between similar term government bonds or the price spread between different classes of stock for the same issuer. The Investment Manager may employ limited directional strategies which expose the Fund to market risk. Among the risks of arbitrage transactions are that two or more buy or sell orders may not be able to be executed simultaneously at the desired prices, resulting in a loss being incurred on both sides of a multiple trade arbitrage transaction. Also, the transaction costs of arbitrage transactions can be especially significant because separate costs are incurred on each component of the combination. Consequently, a substantial favorable price movement may be required before a profit can be realized.

**Short Sales.** The Investment Manager may engage in selling securities and other financial instruments short, which involves the sale of borrowed financial instruments. In order to sell a financial instrument short, the seller must borrow the financial instrument from a lender and deliver it to the buyer. The seller is then obligated to return the financial instrument to the lender at its request (although the seller remains free to return the financial instrument to the lender at any time prior to the lender's request). The seller ordinarily fulfills its obligation to return a financial instrument previously sold short by acquiring it in the open market.

A short sale by the Investment Manager ordinarily involves a judgment on its part that, subsequent to the sale, the price of the financial instrument will fall over time, resulting in profits equal to the difference between the net proceeds of the sale and the cost of acquiring the financial instrument (or a financial instrument exchangeable for or convertible into such financial instrument) at a later date to fulfill the obligation to return the financial instrument to the lender.

The principal risk in selling a particular financial instrument short is that, contrary to the Investment Manager's expectation, the price of the financial instrument will rise, resulting in a loss equal to the difference between the cost of acquiring the financial instrument (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 financial instrument sold short may rise.)

Another risk is that the short seller 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 financial instrument that has been sold short. These traders hope that, by

driving up the price of the financial instrument through their purchases, they will induce short sellers to seek to minimize their losses by buying the financial instrument in the open market for return to their lenders, thereby driving the price of the financial instrument even higher.

***Reliance on Fundamental Analysis.*** The Investment Manager may base its trading decisions, in whole or in part, on fundamental analysis. Fundamental trading systems consider factors, such as inflation, trade balances, inventories and interest rates, which do not have an impact on traditional technical trading systems, in an attempt to identify investment opportunities. To the extent that such factors provide mixed or conflicting signals, the fundamental trading systems may not be able to detect and/or accurately predict price trends. There can be no guarantee that the Investment Manager's fundamental trading systems will enable the Investment Manager to accurately value the securities in which the Fund invests or that any anticipated price trends will materialize with respect to such investments.

***Capital Structure Arbitrage.*** The strategies of the Investment Manager will involve trading the spreads in the debt of companies with multiple classes of debt, trading the spreads in the equity of companies with multiple classes of equity and/or trading combinations of a company's debt and equity, in each case to take advantage of relative mispricings. The Investment Manager may be incorrect in its assumption and a Fund may not realize profits from such investments. Moreover, the Investment Manager may be correct in its assumption but may not be able to maintain such investments long enough for them to be profitable.

***Trading in OTC Markets.*** The Investment Manager may engage in over-the-counter ("OTC") derivative transactions, such as currency forward contracts traded in the interbank market; options on currency forward contracts and certain swap agreements. In general, there is less governmental regulation and supervision of transactions in the OTC markets than of transactions entered into on organized exchanges. Most of the protections afforded to participants on U.S. and certain non-U.S. exchanges, such as daily price fluctuation limits and the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. A Fund will be exposed to greater risk of loss through default than if they confined their trading to organized exchanges.

***Cash and Cash Equivalent Investments.*** The Fund may invest a portion of their assets in cash or cash equivalent items for investment purposes, pending other investments, as collateral or as provision of margin for derivative instruments. These cash items generally are of high quality at the time of investment and may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit, and short-term debt securities of U.S. or non-U.S. issuers deemed to be creditworthy by the Investment Manager. While these investments generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses.

***Accuracy of Public Information.*** The Investment Manager selects investments for a Fund, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Investment Manager by the issuers or through sources other than the issuers. Although the Investment Manager evaluates all such information and data and ordinarily seeks independent corroboration when the Investment Manager considers it appropriate, the Investment Manager is not in

a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

***Risk Reduction Techniques May not be Effective.*** The Investment Manager may use various hedging or other “risk-reduction” techniques in an attempt to minimize the risk of loss in portfolio positions. Such techniques may not always be available, and even when implemented may not always be effective in limiting losses. For example, the degree of correlation between an asset being hedged and the hedging instruments may vary from historical trends, resulting in less protection to the portfolio.

Some hedging techniques limit the opportunity for gain with respect to the position being hedged. In addition, risk-reduction techniques impose additional trading costs. During particularly volatile market conditions, the Investment Manager may use risk-reduction techniques that provide no added protection, while possibly imposing significant transaction costs. Moreover, illiquidity or default on one side of a hedge can effectively result in the position being converted into one that is entirely speculative.

***Broad Investment and Trading Mandate.*** The governing documents do not impose significant restrictions on the Investment Manager’s investing and trading for a Fund and permits a Fund to invest and trade in a broad range of financial instruments. The Investment Manager may engage in any strategies from time to time (either in lieu of or in addition to the strategies described herein) to take advantage of changing market conditions and investment opportunities, without notice to the Investors. This could involve changes in the types of financial instruments in which a Fund trades and invests, as well as changes in the markets in which such instruments trade. There can be no assurance that pursuing additional strategies, either in lieu of or in addition to the three principal strategies described herein, would be successful or not result in losses. The General Partner will, however, notify the Investors of any material changes to the Fund or its business.

***Purchasing Securities of Initial Public Offering.*** From time to time a Fund may purchase securities that are part of initial public offerings. The prices of these securities may be very volatile. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for the Fund to trade these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities. The Funds may invest in securities that are “new issues,” as defined in the rules of the Financial Industry Regulatory Authority, which restrict certain persons from participating in “new issues.” The Governing Documents provide a mechanism for the purchase of new issues that excludes participation in such investment by any investor that is deemed restricted.

***Exchange Traded Funds.*** A Fund may invest in and sell short shares of exchange traded funds (“ETFs”) and other similar instruments. These transactions may be used to adjust the Fund’s exposure to the general market or industry sectors and to manage a Fund’s risk exposure. ETFs and other similar instruments involve risks generally associated with investments in a broadly-based portfolio of common stocks, including the risk that the general level of stock prices, or that the prices of stocks within a particular sector, may increase or decrease, thereby affecting the value of the shares of the ETF or other instruments.

**Cash and Cash Equivalent Investments.** A Fund may invest a portion of its assets in cash or cash equivalent items for investment purposes, pending other investments, as collateral or as provision of margin for derivative instruments. These cash items generally are of high quality at the time of investment and may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit, and short-term debt securities of U.S. or non-U.S. issuers deemed to be creditworthy by the Investment Manager. While these investments generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses.

**General Economic and Market Conditions.** The success of a Fund's activities is affected by general economic and market conditions, such as changes in interest rates, availability of credit, inflation rates, economic uncertainty, market volatility, changes in laws (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist acts, natural disasters or security operations). These factors may affect the level and volatility of securities prices and the liquidity of a Fund's investments. Volatility and/or illiquidity could impair the Fund's profitability or result in losses. A Fund could incur material losses even if the General Partner and/or the Investment Manager react quickly to difficult market conditions, and there can be no assurance that a Fund will not suffer material losses and other adverse effects from broad and rapid changes in economic and market conditions in the future. Investors should realize that markets for the investments in which a Fund seeks to invest can correlate strongly with each other at times or in ways that are difficult for the Investment Manager to predict. Even a well-analyzed approach may not protect a Fund from significant losses under certain market conditions.

**Counterparty Risk.** A Fund expects to establish relationships to obtain brokerage and other related services; however, there can be no assurance that a Fund will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit a Fund's trading activities and could create losses, preclude the Fund from engaging in certain transactions and brokerage services and prevent the Fund from trading at optimal rates and terms. Moreover, a disruption in the brokerage services provided by any such relationships before a Fund establishes additional relationships could have a significant impact on a Fund's business due to a Fund's reliance on such counterparties.

Some of the markets in which the Fund may effect its transactions are "over-the-counter" or "inter dealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes a Fund to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing a Fund to suffer a loss. In addition, in the case of a default, a Fund could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where a Fund has concentrated its transactions with a single counterparty or small group of counterparties. See "Brokerage and Custody."

Furthermore, there is a risk that any of a Fund's counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of a Fund's counterparties were to become insolvent or the



subject of insolvency proceedings, there exists the risk that the recovery of a Fund's securities and other assets from a Fund's brokers or broker-dealers will be delayed or be of a value less than the value of the securities or assets originally entrusted to such broker or broker-dealer.

A Fund is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Investment Manager's internal credit function which evaluates the creditworthiness of its counterparties may prove insufficient. The ability of a Fund to transact business with any one or more counterparties, the lack of complete and "foolproof" evaluation of the financial capabilities of a Fund's counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Fund.

**Unforeseen Events.** A Fund may be adversely affected by unforeseen events involving such matters as changes in interest rates or the credit status of an issuer, forced withdrawals of securities or acquisition proposals, break-up of planned mergers, unexpected changes in relative value, short squeezes, inability to short stock or changes in tax treatment.

**Systemic Risk.** World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in a Fund losing substantial value caused predominantly by liquidity and counterparty issues which could result in a Fund incurring substantial losses.

As described above, this is a brief summary of certain risks associated with our investment strategy. It is not exhaustive, but rather intended to highlight some of the more significant risks involved in our investment strategy. An investment in a Fund should only be made after review of the applicable offering memorandum, and in particular the risk factors described in those materials.

#### **ITEM 9: DISCIPLINARY INFORMATION**

Wolf Hill and its supervised persons have no reportable disciplinary events to disclose.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATES**

A. Neither Wolf Hill nor any of Wolf Hill's management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

B. Neither Wolf Hill nor any of its management persons is registered as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing.

C. The General Partner, a related person of Wolf Hill, serve as the Onshore Fund's general partner. This relationship creates an incentive for Wolf Hill to make investment allocations that are riskier or more

speculative than would be the case if the General Partner did not receive incentive compensation from the Onshore Fund for serving as the general partner to such Fund.

The Investment Manager and any affiliates may furnish and will continue to furnish investment management and advisory service to others. The Investment Manager and its affiliates may make recommendations to and take actions on behalf of others (including but not limited to Funds), which may be the same as or different from recommendations made to other clients. In addition, the Investment Manager or any affiliate may make recommendations to trade, purchase or sell for client regarding any investment opportunity which the Investment Manager or an affiliate may recommend purchase or sell for its own account or for the account of any other client (or recommend to any other client); and the Investment Manager or affiliates may not give clients the same advice as may be given to any other client. The Investment Manager or any affiliate may also act as investment adviser, manager or custodian to other clients. The Investment Manager and affiliates may from time to time have positions in or transact in investment opportunities recommended to clients. Such transactions may differ from or be inconsistent with the advice given, or the timing or nature of the Investment Manager's advice given with respect to a client. The Investment Manager always acts in the best interest of its clients and in accordance with a client's investment objectives and has a robust compliance program in place to generally deal with conflicts of interest that come up from time to time on an objective basis.

D. Not applicable.

#### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics which recognizes our fiduciary duty to act in the best interests of the Funds and is applicable to all employees. We adopted the Code of Ethics to: (1) avoid the inappropriate use of material, nonpublic information, and to implement procedures when this type of information is acquired inadvertently; (2) prevent any improper personal trading; and (3) identify actual and potential conflicts of interest, and set out processes to address any actual or potential conflicts of interest. The Code of Ethics may also be applied to any other person designated by the Chief Compliance Officer.

Per our Compliance Manual, employees are not allowed to trade through their personal account, except for the following: (1) close down any legacy positions with prior approval from the CCO. (3) may trade ETF's with a 30 day holding period without pre-approval and (3) no restrictions trading mutual funds.

We have adopted procedures, in accordance with internal and SEC requirements, to monitor adherence to our personal trading policy. These procedures include:

- We distribute our Code of Ethics to all employees prior to hiring;
- We provide training to all employees at the time of hiring and periodically, thereafter;

- We require all new employees to submit an initial holdings report, and to provide annual updates thereafter;
- We require all employees to submit quarterly transaction reports;
- We require all employees to provide duplicate copies of their brokerage statements or, if such statements are not available, transactions reports; and
- We require initial and annual certifications from all employees regarding compliance with the Code of Ethics.

All clients and prospective clients may obtain a copy of our Code of Ethics by writing to our Chief Compliance Officer at Wolf Hill Capital Management, LP, with our office located at 222 East 46<sup>th</sup> Street, Suite 403, New York, NY 10017.

## **ITEM 12: BROKERAGE PRACTICES**

A. The Funds' securities transactions generate a substantial amount of brokerage commissions and other transaction based cost, all of which are paid directly by the Funds. We have complete discretion over the choice of brokers and dealers the Funds use and the commission rates paid. In selecting brokers, we may or may not negotiate "execution only" commission rates. We do not have an obligation to seek the lowest available commission cost when selecting brokers; provided that any and all brokerage allocations for the Funds will be subject to the principles of best execution and other allocation policies described in the governing documents, as well as any restrictions imposed by law.

In selecting broker-dealers for client transactions, we take into account the following factors:

- commission rates;
- quality of execution;
- investment research and analytic services provided;
- access to corporate functions;
- expertise in particular markets;
- reputations, experience and financial stability;

Wolf Hill may pay broker commissions that are higher than another broker might have charged for the same transaction, in recognition of Wolf Hill's assessment of the value of the various value-added services listed above. However, when higher commission costs are incurred, Wolf Hill believes that the higher commission cost borne by the client accounts are reasonable in relation to the overall service provided. The client account that bears the cost of such a commission for a particular trade may not be the sole beneficiary of such value-added services.

Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor: to investment managers who use commission dollars of their advisory accounts to obtain investment research, brokerage and other services that provide lawful and appropriate assistance to the manager in making investment decisions,

provided, the amount of the increased commission cost is reasonable value to the services provided. Currently, Wolf Hill does not utilize a “soft dollar” account to pay for investment research or services, nor do we intend to use “soft dollar” accounts, rather, the Funds pay all investment research expenses and services using “hard dollars.” In other words, the expenses are paid directly out by the Funds.

Wolf Hill may receive introductions to investors through broker-dealers that execute trades on behalf of Wolf Hill. Wolf Hill does not believe that it pays any additional fees or higher commissions as a result of these introductions. Wolf Hill seeks best execution on all transactions. However, Wolf Hill may have an incentive to select or use a broker-dealer based on receiving investor referrals from that counterparty.

Currently, trades are executed at, and expenses are borne by, the Onshore Fund (of which the Offshore Fund is invested). If Wolf Hill takes on additional clients, trade positions and expenses would then be allocated pro-rata to each Client based on the gross asset value of each Client at the beginning of each month. Allocation of the securities purchased or sold, as well as expenses incurred in the transaction, will be made among the Clients pursuant to our allocation policy or as we deem appropriate. Moreover, no one Client is necessarily entitled to investment priority over another Client and each Client may not participate in every investment opportunity.

Potential conflicts of interest with respect to the allocation of investment opportunities are addressed by our allocation policy.

Although Wolf Hill exercises due care in making and implementing investment decisions, employees of Wolf Hill may from time to time make errors with respect to trades made on behalf of the Clients. Wolf Hill will not be liable to the Clients or the investors in such Clients for any trading losses, liabilities, damages, expenses or costs resulting from trade errors by a Client except those losses, liabilities, damages, expenses or costs (i) resulting from Wolf Hill’s fraud, willful misconduct or gross negligence and (ii) that may not be waived or limited under applicable law. Notwithstanding this limitation on liability, Wolf Hill may voluntarily reimburse a Client for certain other losses suffered as a result of trade errors identified by Wolf Hill.

B. Wolf Hill may determine that the purchase or sale of a security is appropriate with regard to one client; the Firm may, but is not obligated to, purchase or sell such a security on behalf of such client with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will receive the average price, with transaction costs generally allocated pro rata based on the size of each Client's participation in the order (or allocation in the event of a partial fill) as determined by the Firm. In the event of a partial fill, allocations may be modified on a basis that the Firm deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Firm. As a result, certain trades in the same security for one client (including a Client in which the Firm and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another Client, and orders placed later may not be

filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved. Wolf Hill has complete discretion in determining the brokers or dealers to be used, as well as the commissions or markups and markdowns paid, for particular transactions. In selecting brokers and dealers to execute transactions, Wolf Hill does not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Transactions for the clients will be allocated to brokers and dealers on the basis of an evaluation of numerous factors, which may not necessarily reflect lowest pricing. Brokers and dealers may provide other services that are beneficial to the Firm and/or certain Clients, but not beneficial to all Clients.

#### **ITEM 13: REVIEW OF ACCOUNTS**

A. Wolf Hill's Portfolio Manager, Gary Lehrman, maintains constant oversight of the Funds' portfolio, reviewing the portfolio daily and throughout each day. Mr. Lehrman meets with the investment team each day to discuss the portfolio generally before the markets open. These meetings are intended to review the portfolio risk, current portfolio positions, possible opportunities, and to discuss recent or upcoming events.

B. The Investment Manager may conduct reviews other than on a periodic basis generally depending on the facts and circumstances at that time.

C. We furnish our investors in the Funds with a monthly update with our performance estimate. In addition, quarterly letters and audited financial statements are furnished to our investors when available. Furthermore, we provide investors with necessary tax documents along with other documents as required by law.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Wolf Hill does not compensate any third parties for client or investor referrals. We do not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

#### **ITEM 15: CUSTODY**

Wolf Hill is deemed to have custody of the Offshore Fund's funds and securities.

The General Partner, an affiliate of Wolf Hill, serve as the general partner of the Onshore Fund and as such is deemed to have custody of the Onshore Fund's funds and securities.

Investors in the Funds will receive audited financial statements prepared in accordance with US generally accepted accounting principles within 120 days of a Fund's fiscal year-end.

## **ITEM 16: INVESTMENT DISCRETION**

Wolf Hill provides investment advisory services on a discretionary basis to its Clients.

Prior to assuming full discretion in managing a Client's assets, Wolf Hill enters into an investment management agreement or other agreement that sets forth the scope of its discretion. Before accepting the investor's subscriptions for interests or shares, we provide all potential investors in the Funds with an offering memorandum that sets forth, in detail, our investment strategy. By completing our subscription documents to acquire interests or shares in one of the Funds, investors give us complete authority to manage their investments in accordance with the offering memorandum they received.

Wolf Hill has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased and sold for the client account.

## **ITEM 17: VOTING CLIENT SECURITIES**

To the extent Wolf Hill has been delegated proxy voting authority on behalf of its clients, Wolf Hill complies with its Proxy Voting Policies and Procedures (the "Proxy Voting Procedures") that are designed to ensure that Wolf Hill votes proxies with respect to client securities in the best interests of its clients. Wolf Hill maintains copies of all proxy statements received, records of the votes cast, records of requests for proxy voting information, a concise summary of Wolf Hill's Proxy Voting Procedures and any other document prepared or obtained that was material to Wolf Hill making a decision on how to vote.

Individual investors in the Funds will not be able to direct Wolf Hill on how to cast a proxy vote.

A copy of the Proxy Voting Procedures is available upon request by mail by contacting the Chief Compliance Officer.

## **ITEM 18: FINANCIAL INFORMATION**

Currently not applicable as Wolf Hill does not currently require or solicit prepayment, of more than \$1,200 in fees per client, six months or more in advance. Wolf Hill does not have any financial condition that would impair the Firm's ability to meet contractual and fiduciary commitments to its clients.

Lastly, Wolf Hill has not been subject to a bankruptcy petition at any time during the past ten years.