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**Item 1. Cover Page**

**Malachite Capital Management LLC**

**May 14, 2020**

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This Brochure contains information about the qualifications and business practices of Malachite Capital Management LLC (“Malachite”). If you have any questions about the contents of this Brochure, please contact Michael Kostolansky at (212) 520-2997 or [mike@malachitecap.com](mailto:mike@malachitecap.com). This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about the Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **ITEM 4. ADVISORY BUSINESS**

Malachite is an investment adviser with its principal place of business in New York, New York. Malachite commenced operations on January 1, 2014 and is registered with the SEC as an investment adviser. Jacob Weinig and Joseph Aiken are the principal owners of Malachite.

Malachite provides discretionary investment advisory services to Malachite Capital Partners LP (the “Master Fund”) and Malachite Capital Offshore Fund Ltd (the “Offshore Fund”), each a private fund that is a pooled investment vehicle intended for sophisticated investors and institutional investors. The Master Fund and the Offshore Fund are each referred to herein as a “MCP” and are collectively referred to herein as the “MCPs”. Substantially all of the assets of the Offshore Fund are invested in the Master Fund.

Malachite provides discretionary investment advisory services Malachite Risk Premium Ultra Fund LP (“MRPU”), a private fund that is a pooled investment vehicle intended for sophisticated investors and institutional investors.

The Master Fund, Offshore Fund, and MRPU are collectively referred to herein as the “Funds.”

Malachite may also provide discretionary investment advisory services to other client accounts, including separately managed accounts.

Malachite provides advice to its clients based on the specific investment objectives and strategies described in the offering memoranda of the Funds (collectively, the “Memoranda”) or the investment management agreement for a client. Malachite currently does not tailor advisory services to the individual needs of its clients, and clients may not impose restrictions on investing in certain types of securities and other financial instruments.

As of December 31, 2019, Malachite had regulatory assets under management of USD 1,317 million.

Please refer to Appendix, Item 2 Material Changes for important disclosures related to the Funds.

#### **ITEM 5. FEES AND COMPENSATION**

Malachite charges an investment management fee based on the value of assets under management of each investor in the Funds.

With respect to MCPs, the range of investment management fees generally is between 0% to 2.0% per annum, depending on the date of an investor’s investment and the amount of assets under management of the MCPs. With respect to MRPU the range of investment management fees generally is between 0.55% and 1.25% depending on the date of an investor’s investment and the amount of assets under management in MRPU.

Management fees are charged quarterly in advance based upon the value of investors' net assets in the Funds as of the first business day of each calendar quarter. Investments in the Funds made at times other than the first business day of a calendar quarter are charged a prorated fee based on the effective date of the investment and the number of days remaining in the quarter. To the extent investors in the Funds are required to withdraw during a calendar quarter in the case of MCPs, or month in the case of MRPU, a pro rata portion of the management fee paid in advance will be refunded, based on the number of days remaining in the quarter or month, respectively.

Management fees may be modified or waived for investors in the Funds that are members, employees or affiliates of Malachite or Malachite Capital GP LLC, relatives of such persons and for certain large or strategic investors.

Management fees are deducted from the Funds by the Funds' administrator pursuant to instructions from Malachite.

With respect to MCPs, Malachite or its affiliate, Malachite Capital GP LLC, is entitled to receive annual performance-based compensation, which is compensation that is based on a share of net capital appreciation of the assets of a client. The range of performance-based compensation generally is between 10% and 20% of the net capital appreciation (which may be subject to a non-cumulative "hurdle rate" of 2% per annum) and will be subject to a loss carryforward. The level of performance-based compensation will depend on the date of investors' investments in MCPs and the amount of assets under management of the MCPs. Performance-based compensation generally will be allocated as of the end of each fiscal year and upon an intra-year withdrawal by investors in the MCPs. Malachite's performance-based compensation is calculated taking into account both realized and unrealized gains.

The MRPU is not presently charged a performance-based fee.

The performance-based compensation may be reduced or waived for investors in the MCPs that are members, employees or affiliates of Malachite or Malachite Capital GP LLC, relatives of such persons and for certain large or strategic investors.

More detailed information about the fees and allocations paid by investors in the MCPs may be found in the MCPs' offering documents.

In addition to paying investment management fees and, if applicable, performance-based compensation, client accounts will also be subject to other expenses such as legal, compliance, administrator, audit, accounting and other professional expenses; organizational expenses; investment expenses such as commissions, research fees and expenses; interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; insurance costs; expenses of regulatory compliance, filings and reporting (including but not limited to Form PF); and any other expenses reasonably associated with products or services that may be necessary or incidental to such investments or accounts. Client assets may be invested in ETFs or other registered investment companies. In these cases,

the client will bear its pro rata share of the investment management fee and other fees of such funds, which are in addition to the investment management fee paid to Malachite.

Please refer to Item 12 of this Brochure for a discussion of Malachite's brokerage practices.

#### **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As set forth in Item 5 above, Malachite or its affiliate, Malachite Capital GP LLC, is entitled to receive an annual performance-based compensation based on a share of net capital appreciation of the assets of a client. The range of performance-based compensation generally will be between 10% and 20% of the net capital appreciation (which may be subject to a non-cumulative "hurdle rate" of 2% per annum) and will be subject to a loss carryforward. The level of performance-based compensation will depend on the date of investors' investment in the Funds and the amount of assets under management of the Funds.

Malachite recognizes that as a fiduciary it must act in the best interests of its client. As such, Malachite endeavors to treat all clients fairly and equitably and in so doing refrains from favoring one client's interests over another's.

As noted above, Malachite receives performance-based compensation from its clients and, consequently, certain conflicts of interest arise. For instance, Malachite may be incentivized to make investments that are riskier or more speculative than it would otherwise make in the absence of such performance-based compensation. In addition, the performance fee payable to Malachite is based upon both realized and unrealized gains; accordingly, Malachite may receive performance-based compensation reflecting unrealized gains at the end of a fiscal year that are not subsequently recognized by the applicable Fund. Further, Malachite is responsible for valuing the assets in the portfolio of the Fund, which could involve subjective determinations and uncertainties where, for example, third party pricing information may at times be unavailable. Such valuations affect the amount of the advisory fee and the performance fee. It should be noted that Malachite reserves the right to reduce, waive or calculate differently such fees for certain clients and investors.

In order to address potential conflicts of interest that may arise in connection with the payment of performance-based fees, and in recognition of Malachite's fiduciary obligations to its clients, Malachite has adopted a Code of Ethics that outlines business conduct and promotes high ethical standards.

In addition to Malachite's adherence to its Code of Ethics, Malachite also complies with a Valuation Policy that provides both the framework and sources used to value various financial instruments.

#### **ITEM 7. TYPES OF CLIENTS**

Malachite provides discretionary investment advisory services to the Funds. Malachite may also provide discretionary investment advisory services to other client accounts, including separately managed accounts.

The initial subscription amount minimum for the Funds is disclosed in the Memoranda. The minimum may be waived at the discretion of Malachite.

#### **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

The investment objective of the MCPs are to earn significant long-term, risk-adjusted returns by capturing value created from inefficiencies within the global equity derivative markets. A number of trading strategies are employed including: (a) capturing short-term volatility risk premium; (b) implementing positions and trades that exhibit a long convexity profile during period of rising market volatility and stress without significant carry costs; and (c) identifying related instruments exhibiting temporary dislocations.

The investment objective MRPU is to generate US equity-like returns with lower volatility and lower drawdown risk than passive long-only equity investments by capturing value created from inefficiencies within the equity volatility markets. The Investment Manager (as defined below) seeks to capture short-term volatility risk premium within the global equity markets while diligently monitoring risk and adhering to a strict risk management process.

Malachite invests a significant portion of its time focusing on risk management across all investment vehicles.

There can be no assurances that a client will achieve its investment objective or that the strategies pursued and methods utilized by Malachite will be successful under all or any market conditions. Malachite's methods, strategies and investments involve a risk of loss to clients, and clients must be prepared to bear the loss of their entire investment.

#### **Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategy**

A brief explanation of the material risks associated with Malachite's principal investment strategy and methods of analysis follows.

- **Nature of Investments.** While it is anticipated that Malachite will invest primarily in equity derivative products, Malachite has broad and flexible investment authority. Investments may be affected by business, financial market or legal uncertainties. There can be no assurance that Malachite will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of Malachite's activities and the value of its investments. In addition, the value of portfolios may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that Malachite's investment objectives will be achieved.
- **Hedging and Other Risk Management Techniques.** Malachite utilizes a variety of financial instruments, including but not limited to derivatives, options, volatility and variance swaps, and futures and forward contracts, for risk management purposes. There can be no assurances that a particular hedge or risk management technique is appropriate or that a

risk is measured properly. Further, while Malachite may seek to reduce risk on behalf of a client, hedging and other risk management techniques may result in poorer overall performance and increased (rather than reduced) risk for a client's investment portfolio than if Malachite did not engage in any such technique.

- Risk Control. No risk control system is fail-safe, and no assurance can be given that any risk control framework employed by Malachite will achieve its objective. Target risk limits developed by Malachite may be based upon historical trading patterns for the securities and financial instruments in which the Partnership invests. No assurance can be given that such historical trading patterns will accurately predict future trading patterns.
- Short Selling Risk. Short selling transactions expose clients to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by a client in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein Malachite, on behalf of a client account, might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.
- Lack of Diversification. A client account is expected to be concentrated primarily in long and short equity volatility products, and may not be as diversified as other investment vehicles. Accordingly, a client's portfolio may be subject to more rapid change in value than would be the case if a client were required to maintain a wide diversification.
- Leverage. Leverage is the use of borrowed funds for investment. While the use of certain forms of leverage, including margin borrowing, structured products or derivative instruments, can substantially improve the return on invested capital, such use may also increase the adverse impact to which the client's portfolio may be subject. Malachite's use of leverage for client accounts can result in more volatile performance. The use of leverage may result in (1) greater losses from investments than would otherwise have been the case had the client not borrowed funds to make the investment, (2) margin, collateral calls or interim margin requirements that may force premature liquidations of investment positions, and (3) losses on investments when the investment fails to earn a return that equals or exceeds the cost of borrowing.
- Counterparty Risk. To the extent that the client invests in swaps, "synthetic" or derivative instruments, repurchase agreements, forward contracts, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. securities, the client takes the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions that generally are supported by guarantees of clearing organizations, daily mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions

entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

- Brokerage and Custody Risk. There are risks involved in dealing with the custodians or prime brokers who settle trades for client accounts. Although Malachite monitors the prime broker and believes that it is an appropriate custodian, there is no guarantee that the prime broker, or any other custodians that may be used from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, it is likely that losses would be incurred due to assets being unavailable for a period of time, the ultimate receipt of less than full recovery of the assets, the ultimate receipt of different assets, or some combination of all of the foregoing.
- Lack of Liquidity of Interests. While Malachite expects the vast majority of portfolios to be liquid, assets may, at any given time, include securities and other financial instruments or obligations that are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments.
- Limited Withdrawal and Transfer Rights. An investor generally will be permitted to withdraw all or any part of its capital account only in accordance with the terms described herein. Transfers of interests will be permitted only with the written consent of the General Partner. Accordingly, interests should only be acquired by investors willing and able to commit their funds for an appreciable period of time.
- Reliance on Key Personnel. Malachite relies heavily on the services of the co-managing members of Malachite, Joseph Aiken and Jacob Weinig. Mr. Aiken and Mr. Weinig are responsible for all of the major decisions affecting the clients. Should Mr. Aiken and Mr. Weinig determine to discontinue managing the affairs of, or withdraw from, Malachite or should both Mr. Aiken and Mr. Weinig die, be incapacitated or, for some other reason, be unable to effectively manage the affairs of Malachite, the business and results of the operations of the clients may be adversely affected, and investors in the Funds generally would have no special withdrawal rights, other than those set forth in the Memoranda.

**Risks Associated with Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks)**

- Variance and Volatility Swap Agreements. Malachite enters into variance, forward variance and volatility swap agreements on behalf of the client accounts. A volatility swap is a forward swap agreement where the underlying asset is the realized volatility of a given index or other security. A variance swap is a type of volatility swap with a payout that is related to realized variance rather than realized volatility. A forward variance swap is a variance swap whereby the inception date of the variance swap is at a date starting after



the trade date. In addition to general market risks, variance and volatility swaps are subject to liquidity risk and credit risk. Investors who sell an uncapped variance, forward variance or volatility swap risk unlimited losses if the realized or implied volatility, as the case may be, of the underlying exceeds the reference strike of the swap at expiration.

- Derivative Transactions Generally. To the extent that Malachite, on behalf of a client account, invests in swaps, derivative or synthetic instruments, repurchase agreements, “exotic options” (e.g., banner barrier options, volatility and variance options, variable maturity options, and rainbow options, etc.) or other over-the-counter transactions or, in certain circumstances, non-U.S. securities, such client may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.
- Credit Default Swap Agreements. Certain clients may be parties to credit default contracts. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. A buyer also may lose its investment and recover nothing should no credit event occur. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the client.
- Futures Contracts. The use of futures is a specialized activity that involves investment strategies and risks different from those associated with ordinary portfolio securities transactions, and there can be no guarantee that their use will increase a client’s return or not cause a client to sustain large losses. While the use of these instruments may reduce certain risks associated with portfolio positions, these techniques themselves entail certain other risks. Clients could experience losses if the values of its futures positions were poorly correlated with its other investments, or if it could not close out its positions because of an illiquid market. There is no assurance that a liquid secondary market will exist for futures contracts or options purchased or sold, and clients may be required to maintain a position until exercise or expiration, which could result in losses.
- Trading in Options. Malachite engages from time to time in various types of options transactions on behalf of client accounts. The purchase or sale of an option involves the payment or receipt of a premium by the client and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the client loses its premium. Selling options, on the other hand, involves potentially greater risk because the client is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received

(which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

- Exchange Traded Funds. Client assets may be invested in exchange traded funds (“ETFs”). Because ETFs, which are registered investment companies, are effectively portfolios of securities, Malachite believes that the unsystematic risk associated with investments in broad-based market ETFs (typically defined as ETFs with 30 or more securities) is generally low relative to investments in ordinary securities of individual issuers.
- Exchange Traded Notes. Client assets may be invested in exchange traded notes (“ETNs”) which are instruments that track the performance of an underlying index. By contrast to ETFs, ETNs are structured as a type of unsecured senior debt security issued by an underwriting bank. Accordingly, ETNs are subject to the credit risk of the underlying bank, in addition to actual market risk.
- Emerging Markets and Non-U.S. Securities. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.
- Currency Exposure Risk. Investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative value of similar assets in different currencies, long-term opportunities for investment, capital appreciation and political developments. Malachite may try to hedge these risks, but there can be no assurance that it will implement a hedging strategy, or if it implements one, that it will be effective.
- Special Situations. Malachite may, on behalf of client accounts, invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the clients of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the clients may be required to sell the investment at a loss. Due to the substantial uncertainty concerning the outcome of transactions involving financially troubled

companies in which the clients may invest, there is a potential risk of loss by the clients of their entire investment in such companies.

The foregoing does not purport to be a complete explanation of the risks involved in trading securities or with respect to any investment strategy.

#### **ITEM 9. DISCIPLINARY INFORMATION**

This Item is not applicable.

#### **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Malachite is registered as a commodity pool operator with the U.S. Commodity Futures Trading Commission (the “CFTC”). In connection with Malachite’s registration, certain management persons have also registered with the CFTC as associated persons of Malachite.

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

Malachite has adopted a Code of Ethics (the “Code”), which sets forth the ethical and fiduciary principles and related compliance requirements under which Malachite operates and the procedures for implementing those principles. The Code obligates Malachite and its related persons to put the interests of Malachite’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of Malachite’s personnel are also required to comply with applicable federal securities laws.

Clients or prospective clients may obtain a copy of the Code by contacting Michael Kostolansky, Malachite’s Chief Compliance Officer, by e-mail at [mike@malachitecap.com](mailto:mike@malachitecap.com), or by telephone at (212) 520-2997.

Malachite, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information. Malachite is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. Malachite maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that Malachite is meeting its obligations to clients and remains in compliance with applicable law.

Under the Code, Malachite’s related persons generally must obtain prior approval from the Chief Compliance Officer prior to purchasing or selling any security who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. Malachite will not permit a related person to establish a new position in any security that is being currently purchased or sold (or is being considered for purchase or sale) by a client.

The Code requires related persons to submit quarterly transaction reports (or brokerage statements) that detail the individual’s securities transactions for the quarter to the Chief Compliance Officer, and for the Chief Compliance Officer to review those reports and compare

such reports to transactions for the client accounts. In addition, related persons must submit an annual report (or brokerage statements) and certification stating that the individual will comply with the Code.

The Chief Compliance Officer will report on issues that arise under the Code to Malachite's senior management as necessary, and in any case, at least annually.

#### **ITEM 12. BROKERAGE PRACTICES**

Malachite considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include, but are not limited to, net price, the financial stability and reputation of the broker-dealer, and the research, brokerage or other services provided by such broker-dealer.

In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, Malachite need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not Malachite's practice to negotiate "execution only" commission rates. Thus, a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. Malachite's Chief Compliance Officer and portfolio managers will meet periodically to evaluate the broker-dealers used by Malachite to execute client trades using the foregoing factors.

Malachite receives research or other products or services other than execution from a broker-dealer in connection with client securities transactions. This is known as a "soft dollar" relationship. Malachite may use of "soft dollars" to obtain research and brokerage services within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the Securities and Exchange Commission or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

When Malachite uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, Malachite's Chief Compliance Officer and portfolio manager meet periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or Malachite's overall responsibilities to the accounts or portfolios over which Malachite exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, Malachite will not have to pay for the products and services itself. This creates an incentive for Malachite to select or recommend a broker-dealer based on its interest in receiving those products and services. Malachite may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by Malachite in its other investment activities, including, for the benefit or other client accounts.

In some instances, Malachite obtains a product or service that it uses, in part, for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, Malachite will make a good faith effort to determine the relative proportion of the product or service used to assist Malachite in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be based on Malachite's evaluation of the actual use of the product or service by its personnel for research and non-research purposes. The proportion of the product or service attributable to assisting Malachite in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by Malachite from its own resources. The determination of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between Malachite and clients.

From time to time Malachite may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by Malachite or recommend these private funds as an investment to clients. Malachite may place client portfolio transactions with firms that have made such recommendations or provided capital introduction opportunities, if Malachite determines that it is otherwise consistent with seeking best execution. In no event will Malachite select a broker-dealer as a means of remuneration for recommending Malachite or any other product managed by Malachite (or an

affiliate) or affording Malachite with the opportunity to participate in capital introduction programs.

#### **ITEM 13. REVIEW OF ACCOUNTS**

Each client account is reviewed by Malachite's portfolio managers on an ongoing basis to determine whether securities positions should be maintained based on current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines, gross and net vega risk outstanding and the performance of each client account.

Investors in the Funds will receive annual audited financial statements and other monthly and quarterly reports from the Funds pursuant to the terms of the Memoranda.

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

Malachite may receive certain research or other products or services from broker-dealers through "soft-dollar" arrangements. These "soft-dollar" arrangements will create an incentive for Malachite to select or recommend broker-dealers based on Malachite's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by Malachite on behalf of its clients. Please see Item 12 for further information on Malachite's "soft-dollar" practices, including Malachite's procedures for addressing conflicts of interest that arise from such practices.

#### **ITEM 15. CUSTODY**

Malachite Capital GP LLC is deemed to have custody of client assets due to serving as the general partner to a limited partnership and intends to comply with Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended, by meeting the conditions of the pooled vehicle annual audit provision.

#### **ITEM 16. INVESTMENT DISCRETION**

Malachite provides investment advisory services to clients on a discretionary basis. Prior to assuming discretion over a client's assets, Malachite will enter into an investment management agreement or other agreement that sets forth the scope of Malachite's discretion. Malachite has the authority to determine the securities and the amount of the securities to be purchased and sold for client accounts.

Malachite has entered into and may in the future enter into agreements, or "side letters", with certain prospective or existing investors in the Funds whereby such investors may be subject to terms and conditions that are more favorable than those set forth in the Memorandum. For example, such terms and conditions may provide for special rights to make future investments in the Funds, other investment vehicles or managed accounts; special withdrawal rights, including relating to frequency or notice; a reduction or rebate in fees and/or other terms;

rights to receive reports on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Funds and such investor.

If it appears that a trade error has occurred, Malachite will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, Malachite's error correction procedure is to ensure that clients are treated fairly. Malachite has discretion to resolve a particular error in any appropriate manner that is consistent with the above-stated policy. In the event that a client account incurs a trade error as a result of Malachite's gross negligence, willful default or fraud, the trade error will be corrected by Malachite as soon as practicable, in a manner such that the client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the client account.

#### **ITEM 17. VOTING CLIENT SECURITIES**

To the extent Malachite has been delegated proxy voting authority on behalf of its clients, Malachite complies with its proxy voting policies and procedures that are designed to ensure that in cases where Malachite votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. In fulfilling its obligations to advisory clients, Malachite seeks to act in a manner that will enhance the economic value of the underlying securities held by each advisory client.

If a material conflict of interest exists between Malachite and a client, Malachite will determine whether to vote in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the client or to take some other appropriate action.

Clients may obtain a copy of Malachite's proxy voting policies and procedures and information about how Malachite voted a client's proxies by contacting Michael Kostolansky, Malachite's Chief Compliance Officer, by e-mail at [mike@malachitecap.com](mailto:mike@malachitecap.com) or by telephone at (212) 520-2997.

#### **ITEM 18. FINANCIAL INFORMATION**

This item is not applicable.

## **APPENDIX: ITEM 2. MATERIAL CHANGES**

Due to extreme adverse market conditions in the first weeks of March 2020 and the resultant poor performance of MCPs, Malachite, in consultation with the offshore fund's board of directors, decided it was in the best interests of the MCPs and their investors to dissolve the Funds immediately pursuant to their governing documents in order to commence an orderly wind-down. Malachite suspended the right to make withdrawals/request redemptions and the determination and calculation of the Net Asset Value ("NAV") of interests in MCPs for NAV date March 31, 2020. Malachite is actively engaged with various counterparties to facilitate an orderly wind-down and compliance with all regulatory and reporting requirements. Based on current claims, it appears there may be an asset shortfall and, correspondingly, there is a likelihood there will be zero recovery for investors.

MRPU has also decided to liquidate the return funds to investors.