



Item 1: Cover page

Form ADV Part 2A: Firm Brochure

August 31, 2020

Ackerman Capital Advisors, L.L.C.

(dba Ackerman Capital Management, L.P.)

5956 Sherry Lane, Suite 1600

Dallas, TX 75225

Telephone: (214) 361-5383

Fax: (214) 361-5115

Attention: David B. Ackerman

Ackerman Capital Advisors, L.L.C. (d/b/a Ackerman Capital Management, L.P.) is an investment adviser that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply any particular level of skill or training.

This brochure provides information about the qualifications and business practices of Ackerman Capital Advisors, L.L.C. If you have any questions about the contents of this brochure, please contact us at (214) 361-5383. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Ackerman Capital Advisors, L.L.C. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This brochure dated August 31, 2020 is an update to our annual Form ADV dated March 31, 2020. We have made material updates regarding our advisory services, financial planning services, and fee disclosures.

We encourage you to read this updated brochure in its entirety.

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, a free copy of our brochure may be requested by contacting us at (214) 361-5383.

Additional information about Ackerman Capital Advisors, L.L.C. is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any person's affiliates with of Ackerman Capital Advisors, L.L.C. who are registered, or are required to be registered, as investment adviser representatives of Ackerman Capital Advisors, L.L.C.

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Item 4: Wealth Management Services

About Our Firm

Ackerman Capital Advisors, L.L.C. (also known as Ackerman Capital Management, L.P.) is a wealth management services firm founded in 2002 as the successor firm to previous entities originally established in 1969. Ackerman Capital Management is primarily engaged in the management of investment portfolios in separate accounts for high net worth clients, including individuals, families, corporations, charitable entities, and certain pension plans. The firm also provides comprehensive financial planning advice to clients, if requested. The firm also provides retirement plan consulting to business clients on defined contribution plans, including 401(k), 403(b), and profit sharing plans.

The firm also manages two private investment partnerships, Ackerman Value Partners, L.P., and ACM Enhanced Municipal Income Fund, L.P.

The owner of Ackerman Capital Advisors, L.L.C. is David B. Ackerman.

Investment Management Services

Our firm offers investment advisory services to separately managed accounts. We assist clients in determining short-term and long-term objectives, income needs, risk tolerance, investment time horizon and other factors relevant to the management of their portfolio(s). This information is used to select an appropriate investment strategy from among the core offerings we provide or to develop a customized strategy. Each strategy has a corresponding Investment Policy Statement (IPS) which outlines the investment objectives and constraints of that strategy and sets the parameters by which a portfolio will be managed, including asset allocation targets and ranges.

We seek to manage overall portfolio risk through diversification among different asset classes and investment styles. In providing advisory services to separate account clients, we primarily invest in exchange traded funds (ETFs) and no-load mutual funds. We do not participate in any wrap fee programs. All client portfolios are monitored on an ongoing basis to ensure that they remain consistent with each client's goals and the designated strategy IPS.

Ackerman Value Partners, L.P. and ACM Enhanced Municipal Income Fund, L.P.

Our firm is the manager to two private investment partnerships, Ackerman Value Partners, L.P. and ACM Enhanced Municipal Income Fund, L.P. (the "Partnerships"). Ackerman Value Partners, L.P. aims to generate long-term capital appreciation and income while reducing the risk of capital loss associated with equity investments. ACM Enhanced Municipal Income Fund, L.P. seeks attractive, tax-efficient returns by investing in closed-end municipal bond funds. The Partnerships primarily invest in a portfolio of publicly-traded U.S. equity securities, both long and short, although other strategies and types of investments may be employed. The general partner of Ackerman Value Partners, LP is Ackerman Capital Management II, L.P. The general

partner of ACM Enhanced Municipal Income Fund, L.P. is ACM Enhanced Municipal Income GP, L.P.

Retirement Consulting Services

We offer retirement plan consulting services to defined contribution plans, such as 401(k), 403(b), and profit sharing plans, . Such advisory services are pursuant to ERISA 3(38) or 3(21) fiduciary services to employers or plan sponsors for the benefit of employee retirement plans. Retirement plan consulting services may include assisting in the development of the investment policy statement, selection and ongoing analysis of current investment options, assistance in selecting new investment alternatives, benchmarking and investment analysis, providing education services to plan participants and serving as a fiduciary 3(38) for our clients plans. The full scope of our retirement plan consulting services are detailed in our Consulting Agreements with such clients. Defined contribution plans are participant-directed, and we neither possess trading authority nor maintain custody of funds and securities with respect to such client accounts.

Our firm also counsels plan sponsors with regard to cash balance plans. In doing so, we partner with third-party administrators and actuaries to advise business owners on the benefits, suitability, and implementation of such plans. We may also provide discretionary investment management services to cash balance plans in an effort to manage portfolios to optimal return targets.

Financial Planning Services

Our firm provides clients with financial planning services, if requested, by advising them and coordinating with third-party professionals on matters including, but not limited to, financial goals and objectives, cash flow and debt management, net worth reporting, estate planning, tax planning, business planning, educational savings, retirement planning, and philanthropy. We may provide new or existing clients with a comprehensive financial plan that addresses all such applicable financial aspects along with appropriate recommendations for action. We monitor financial plans as necessary, or as reasonably requested, and provide clients with periodic reviews of their plans, in person, by email, telephone, or videoconference. We also may provide clients with financial planning services on a project by project basis. Financial planning services may be provided in conjunction with investment management services or as a separate service.

Our firm may charge fees for financial planning services that may be in addition to investment management fees. Clients who desire our financial planning services execute a financial service agreement outlining the financial planning services we will provide and any additional planning fees that may be charged for these services.

Tailoring Services

Our firm tailors our investment advisory and financial planning services to the individual goals, needs, and circumstances of our clients. We recommend investment strategies that are best suited for our clients from among our available offerings or provide clients with customized strategies based on their objectives. Our portfolio managers then adhere to the applicable investment strategy and its associated IPS. With respect to the Partnerships, we follow the strategy set forth in the Partnerships' Private Placement Memorandum.

Discretionary Management

Client accounts are typically managed on a discretionary basis, with the exception of participant-directed retirement plans or, under special circumstances, separate accounts subject to a specific negotiated arrangement.

Termination of the Relationship/Withdrawal Rights

Separate account, financial planning, and retirement consulting agreements are generally terminable by either party upon receipt of thirty (30) days advance written notice from the other party. Limited partners in Ackerman Value Partners and ACM Enhanced Municipal Income LP have the right to withdraw its interest from the Partnerships as of the close of business on the last day of a fiscal quarter, provided that (i) the limited partner has held such interest for at least one (1) year and (ii) advance notice of forty-five (45) days is provided to the general partner of the Partnerships.

Assets Under Management

As of December 31, 2019, the firm managed 542 separately managed accounts on a discretionary basis with assets totaling \$409,320,708, 19 accounts on a non-discretionary basis with assets totaling \$28,003,638, Ackerman Value Partners, L.P. with 16 limited partners and assets totaling \$23,299,072 and ACM Enhanced Municipal Income Fund, L.P. with 34 limited partners and assets totaling \$14,802,235. Combining the separately managed accounts and the Partnerships, the firm manages \$437,324,346.

Item 5: Fees and Compensation

Separately Managed Account Compensation

With regard to separately managed accounts, our firm generally receives compensation based solely on a percentage of assets under management, provided, however, that separately managed accounts investing in our Enhanced Emerging Markets Strategy shall additionally be subject to a performance fee as further described below. Management fees are typically deducted quarterly from client accounts after services are rendered (i.e., in arrears) based on average-weighted daily capital balances during the quarter. These calculations are inclusive of cash and cash equivalents in the relevant client accounts. The average-weighted daily capital balance is calculated by dividing (x) the sum of the closing balances of a client account as of each

day during the relevant calendar quarter by (y) the number of days in the relevant calendar quarter. Clients receive a quarterly invoice detailing the management fee calculation and the deduction from the applicable account. Also, see Item 13 for further information. Advisory fees commence at such time as activity with respect to securities occurs in client accounts (which may include the receipt of securities through a transfer from a third party investment manager or broker-dealer) and ceases at such time as advisory services have terminated and there is no activity with respect to securities. Since both average-weighted daily capital balance and net market value are equity-based calculations, margin balances do not affect the calculation of management fees.

We charge fees based on a standard fee schedule, typically ranging from 0.2% to 1.0% per annum based on portfolio values. In addition, certain existing clients have tiered fee schedules that are not offered as part of the firm's current fee schedule. We typically charge pro-rated fees for any quarter in which the inception or termination of an account occurs during such quarter. We reserve the right to modify such annual fee schedule for new advisory agreements we enter into. In certain cases, mutually agreed upon assets may be excluded from the calculation of management fees.

Performance Fees

Although our standard Investment Management Agreement does not provide for a performance fee, we may charge a performance fee for separately managed accounts investing in our Enhanced Emerging Markets Strategy ("EEM Strategy"). With respect to EEM Strategy, performance fees will be up to 20% based on the net profits of the client's portfolio as of the last day of the fiscal quarter (calculated as the excess of the net market value of the client account on the last day of the fiscal quarter over such value on the first day of such period). If there is a net realized loss for a fiscal quarter, such loss will be netted against future net profits before a subsequent performance fee is assessed on such future net profits. Please refer to *Item 4 – High-Water Mark* for details regarding this calculation. Clients will only be charged a performance fee if they meet the definition of "qualified client" as defined in Rule 205-3 under the Investment Company Act of 1940. The Adviser may, in its sole discretion, waive all or any part of the performance fee.

Clients receive a quarterly invoice detailing the performance fee calculation and the amount of such performance fee is deducted from the applicable account, if any, with applicable client authorization. Please refer to *Item 8* for further information regarding our EEM Strategy.

Other Possible Fees

In some circumstances, the advisory fee on a particular account may be lower or higher than that generally charged by our firm or other investment advisors for similar services due to minimum quarterly fee requirements or where fees may be negotiated.

Separate account clients bear all of their own expenses, which may include custodial fees, brokerage commissions, transaction charges, wire transfer fees, taxes and applicable registration

fees. As a result, our management fees for separate accounts are in addition to any transaction fees which may be charged by the custodian bank or management fees and expenses charged by any investment company (i.e. money market, mutual fund, or exchange-traded fund) in which the client's funds are invested. The fees and expenses charged by funds and ETFs are disclosed in the relevant prospectus provided to our client by the custodian, and we receive no portion of such fees and expenses. Some funds we purchase may require minimum holding periods to avoid redemption fees, by the custodian or fund administrator.

In some circumstances the custodian bank or broker invests cash in money market securities or short-term investment funds available to the custodian. In these situations, the custodian may be charging a fee for the management of such money-market type securities in addition to the fee charged by our firm.

Partnership Fees and Compensation

Ackerman Value Partners, L.P.

With regard to Ackerman Value Partners, L.P., the general partner charges a quarterly management fee in advance at the annual rate of 1% of the value of the limited partner's capital account balance at the beginning of a quarter. The general partner also typically receives an annual performance re-allocation, also known as a performance fee, of 20% on each limited partner's net annual return for its fiscal year, subject to a "high-water mark" limitation (as further described below). All such performance fee arrangements are intended to comply with Rule 205-3 under the Investment Advisors Act of 1940, as amended. Please refer to the Ackerman Value Partners, L.P. Private Placement Memorandum for a full description of fees and expenses.

ACM Enhanced Municipal Income, L.P.

With regard to ACM Enhanced Municipal Income Fund, L.P., the Investment Manager does not charge Limited Partners management fees for its services to the fund, but reserves the right to charge additional classes of investors, if any, management fees in the future.

The general partner of ACM Enhanced Municipal Income Fund, L.P. is entitled to receive a quarterly performance-based profit allocation at the end of each quarter equal to fifteen percent (15%) of each Limited Partner's allocable share of net profits for the fiscal quarter, subject to a "high-water mark" limitation (as further described below). Net profit includes unrealized appreciation or depreciation of marketable positions according to the fund's valuation procedures. Please refer to the ACM Enhanced Municipal Income Fund, L.P. Private Placement Memorandum for a full description of fees and expenses.

High-Water Mark

With respect to the Partnerships and the EEM Strategy, the relevant performance fees are subject to a "high-water mark" limitation. This means that after the first Performance Period in which a performance re-allocation is earned, the performance re-allocation for a subsequent

Performance Period only applies to the extent that a limited partner's pro rata share of net profits measured on a cumulative basis, net of any losses, for all Performance Periods since admission exceeds the highest level of such cumulative net profits achieved through the close of any prior Performance Period since admission. Because opening capital account balances for Partnership investors (from which investment gains are measured) are determined net of a prior Performance Period performance re-allocation, Partnership investors should note that, in a subsequent Performance Period in which a Partnership investor has investment gains, Partnership investors will bear a performance re-allocation in such subsequent Performance Period on the portion of the subsequent Performance Period gain attributable to the prior Performance Period performance re-allocation (stated another way, gain in a subsequent Performance Period that recovers any prior Performance Period performance re-allocation is subject to a performance re-allocation in a subsequent Performance Period). ***Performance Period*** means (i) with respect to each limited partner of Ackerman Value Partners, L.P., the period commencing as of the date of admission of the limited partner to Ackerman Value Partners, L.P. (with respect to the limited partner's initial Performance Period), and thereafter, each period commencing the day following the end of the preceding Performance Period, and ending on the earlier of (a) the last day of the year and (b) the date of a withdrawal of all or any portion of such limited partner's capital account and (ii) with respect to each limited partner of ACM Enhanced Municipal Income Fund, L.P., the period commencing as of the date of admission of the limited partner to ACM Enhanced Municipal Income Fund, L.P. (with respect to the limited partner's initial Performance Period), and thereafter, each period commencing the day following the end of the preceding Performance Period, and ending on the earlier of (x) the last day of the quarter and (y) the date of a withdrawal of all or any portion of such limited partner's capital account.

Partnership Costs and Expenses

The Partnerships bear all costs and expenses directly related to its investment program, including expenses related to proxies, underwriting and private placements, brokerage commissions, interest on debit balances or borrowings, custody fees and any withholding or transfer taxes imposed on the Partnerships. The Partnerships also bear all out-of-pocket costs of the administration of the Partnerships, including, but not limited to, accounting, audit and legal expenses, costs of any litigation or investigation involving the Partnerships' activities, and costs associated with reporting and providing information to existing and prospective limited partners. With regard to ACM Enhanced Municipal Income, such administrative costs incurred by the Partnership are subject to an annual 0.50% expense cap as detailed in the Private Placement Memorandum.

To the extent any fees, costs and expenses (including items such as reporting, research, consulting and insurance) are incurred for the benefit of both client(s) (such as Ackerman Value Partners, LP) and the firm or for the benefit of multiple clients, an allocation of such fees, costs and expenses will be made on a basis reasonably believed by the firm to be fair and equitable based on the relevant facts, such as the relative sizes of the participating client accounts, the activity of the clients and the particular circumstances that caused the expense to be incurred with respect to each entity or party benefiting from such expense. The firm regularly evaluates

its allocation practices to ensure that such allocations are based on a sound method and accordingly such allocation practices may be subject to change.

Neither our firm nor any of our principals or employees receives any transaction-based compensation for the sale of securities or other investment products.

Retirement Plan Consulting Fees

Retirement Plan consulting fees are billed quarterly in arrears to the plan sponsor or plan recordkeeper. Fees are calculated as a percentage of quarter ending market value of plan assets. The annual fee rate varies from client to client and may be based on a tiered fee schedule at annual rate of 0.20% to 0.80% but may be subject to a minimum dollar amount in certain circumstances.

Financial Planning Fees

Financial planning fees are detailed in our Financial Planning Agreement. Fees may vary from client to client based on the scope of the engagement. The fee covers the development of a written plan which contains recommendations. The fee also includes monitoring the plan during the initial year. It is the expectation of the firm that all plans are completed within six months, assuming the client provides us the necessary information in a timely manner. The Financial Planning Agreement may provide for annual renewal fees after the initial year, paid in quarterly installments. The Financial Planning Agreement may be renewed automatically each year unless the client elects not to. Renewal fees are typically deducted directly from client accounts with invoices provided to the client in a timely manner.

Fee Prepayment

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

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

Our firm or our affiliates receive performance-based compensation from the Partnerships and certain separately managed accounts, including separately managed accounts implementing the EEM Strategy. The existence of performance-based compensation may create an incentive for our firm or our affiliates to make riskier or more speculative investments on behalf of our Partnerships or client accounts. In this respect, our responsibilities as a fiduciary (including a duty to ensure that securities purchased on behalf of clients are suitable for their objectives, needs and circumstances) helps minimize this conflict. The principals also strictly adhere to the investment strategy discussed in our hedge fund clients' Private Placement Memorandum or in the case of the separately managed accounts, the respective investment management agreements. The fact that the general partner and members of, or entities associated with, the

Ackerman family represent the largest investor in the Partnerships aids in aligning our interests with the interests of other investors in the Partnerships.

In addition, the existence of the performance-based compensation generally may create an incentive for a firm or its affiliates to favor performance fee-paying clients when making an investment decision than would be the case in the absence of these arrangements. In our case, such a conflict is minimized due the fact that the Partnerships typically invest in individual publicly-traded securities, which we generally do not utilize for most separately managed accounts. For separate accounts, we typically utilize no-load mutual funds and exchange-traded funds. Our firm also acts in a manner that we consider fair, reasonable and equitable in allocating investment opportunities among clients. The existence of performance-based compensation, if it results in greater compensation to the firm, could theoretically encourage the firm to steer clients towards our offerings that provide for performance-based compensation, including the EEM Strategy. Our responsibilities as a fiduciary (including a duty to ensure that securities purchased on behalf of clients are suitable for their objectives, needs and circumstances) helps minimize this conflict.

Item 7: Types of Clients

Our Clients

Our clients are families, individuals, trusts, individual retirement accounts, profit sharing and cash balance plans, charitable institutions and other entities with substantial assets to which we provide advice through separately managed accounts. We also provide advisory services to two private investment partnership, or hedge funds.

Investment Requirements

With regard to separately managed accounts, the current minimum investment to open an account is generally \$1,000,000, although investments of a lesser amount may be accepted. Client accounts below this threshold typically belong to firm clients who were subject to prior account minimums.

Investors in the Partnerships are generally required to make a minimum investment of \$1,000,000. Investors We have the discretion to, and on occasion may, accept subscriptions for a lesser amount. The minimum investment is typically waived for investors for whom our firm also manages separate accounts.

This brochure is not an offer to invest with our firm, including the Partnerships.

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

Investing in securities involves risk of loss that clients should be prepared to bear. Depending on the particular strategy we utilize, some level of risk is unavoidable, and our goal is to balance the appropriate level of risk with the potential for returns. Each strategy offering and associated IPS specifies a maximum percentage loss over any twelve-month period which we attempt to not exceed.

Separately Managed Accounts

Core balanced strategy offerings for our separate account clients are:

- Capital Preservation – This strategy offering seeks to maximize total return while avoiding a loss over any twelve-month period. The strategy targets a 20% allocation to equities and an 80% allocation to fixed income.
- Conservative Allocation - This strategy offering seeks to maximize total return while avoiding a loss of greater than 10% over any twelve-month period. The strategy targets a 40% allocation to equities and 60% allocation to fixed income.
- Moderate Allocation – This strategy offering seeks to maximize total return while avoiding a loss of greater than 15% over any twelve-month period. The strategy targets a 60% allocation to equities and 40% allocation to fixed income.
- Aggressive Allocation - This strategy offering seeks to maximize total return while avoiding a loss of greater than 20% over any twelve-month period. The strategy targets an 80% allocation to equities and 20% allocation to fixed income.

Each core strategy allows for tactical positioning above or below equity and fixed income allocation targets within constraints outlined in the respective Investment Policy Statement.

There is no guarantee that our firm will be successful in its efforts to manage these strategies within the specified risk constraints and past performance is also no guarantee of future returns.

All strategy offerings are available in a “Tax Advantaged” version for retirement accounts, charitable entities, or other accounts with no or limited tax sensitivity and a “Tax-Managed” version for tax sensitive accounts. In “Tax Managed” accounts we seek to maximize *after-tax* returns for a given level of risk.

In addition to these balanced offerings, the firm also manages portfolios within a single asset class, e.g. 100% equity or 100% fixed income.

We also offer our EEM Strategy which seeks to capitalize on the attractive relative and absolute valuations in emerging markets equities based on our analysis. The strategy intends to enhance returns from investing specifically in emerging market equities using individual country selection and the prudent use of leverage.

In managing separate accounts within the strategies set forth above, we typically invest in exchange-traded funds (ETFs) and low cost, no-load mutual funds consistent with each strategy's IPS. We typically invest in funds representing the two primary asset classes, equities and fixed income, on a global basis.

We base our fund selection within a particular strategy on a number of criteria. First, we evaluate the cost of ownership. We seek to invest in funds with expense ratios that are among the lowest versus similar funds. Academic research has indicated that perhaps the most important factor affecting fund performance is the cost of ownership.

Among equity funds, we typically invest in low cost, passive funds which provide targeted exposure to certain style risk factors. Additional funds which allow us to manage other non-style risk exposures (e.g. global region/country exposures, and developed vs. emerging exposures) are also included in the equity portfolio. Among fixed income funds, we typically invest in lower cost, more passively managed funds which allow us to manage exposures to key risk factors (e.g. interest rate sensitivity, credit exposure, regional country weightings, and currency exposures).

Our portfolios are actively managed. We engage in tactical asset allocation in our portfolios within the asset class allocation ranges outlined in each Investment Policy Statement. We evaluate funds based on our proprietary model that combines valuation metrics with measures of current price trends. Other factors which we may take into account include macroeconomic trends and investor sentiment.

Investing in exchange-traded funds and mutual funds involves significant risk of loss that our clients, and any investors in our clients, should be prepared to bear.

Certain of the risks associated with any investments on behalf of our advisory clients include:

- *Investment Judgment and Market Risk:* The success of our investment programs depends, in large part, on correctly evaluating future price movements of potential investments. We cannot guarantee that we will be able to accurately predict these price movements and that our investment programs will be successful.
- *Investment and Trading Risk Generally:* Investments in securities and other financial instruments involve a degree of risk that the entire investment may be lost. The use of short sales and option trading can, in certain circumstances, substantially increase the impact of unfavorable price movements on our clients' investments. Also, changes in the general level of interest rates may negatively affect our clients'

results. In addition, overall market volatility, which has been more pronounced in recent years, can result in significant price swings in securities and portfolio values.

- *Dependence on our Firm and Key Personnel.* The success of our clients is largely dependent upon our firm. There is no guarantee that our firm or the individuals employed by our firm will remain willing or able to provide advice to the clients' accounts or that trading on this advice by our firm will be profitable in the future. The performance of our firm depends upon certain key personnel, including David Ackerman who manages our firm and oversees our investment selection and implementation. Should he become incapacitated, the performance of our clients' portfolios may be adversely affected.
- *Competition.* Our firm operates in a competitive market, and competition may result in reduced risk-adjusted returns. In particular, while we believe that meaningful investment opportunities exist and we strive to identify and exploit such opportunities for our clients, qualified opportunities may become scarcer, or may be diminished or eliminated more rapidly, as additional knowledgeable investors enter the market for such assets. We, and the managers of the funds in which we invest on behalf of clients, may not be successful in capturing these opportunities.
- *Mutual Funds.* We invest in mutual funds on behalf of our clients, which are registered investment companies regulated by the Securities and Exchange Commission. Mutual funds carry their own inherent risks, including the risk that the managers of the mutual fund will misdiagnose the market or the risk inherent in the market. Our firm will have no direct control over the management of any of the mutual funds in which our clients invest.

Mutual funds reserve the right to reject purchases or delay redemptions, sometimes after the purchase decision is made. These rights may affect our efforts to manage our clients' risk. In addition, it is possible for the value of a mutual fund to fall (or to rise more slowly than the stock market as a whole) even when stock prices in general are rising. Risk is involved in fund selection as well as in the timing of trades. Most mutual fund shares can be traded only at the end of each day, potentially exacerbating losses on days of steep overall market declines. Also, the purchase or sale of certain mutual funds may involve transaction charges that increase expenses to our clients.

- *Mutual Fund Tax Consequences:* An investor who buys and holds mutual fund shares will owe income tax on any ordinary dividends in the year they are received or reinvested. Mutual funds are required to distribute capital gains to shareholders when securities are sold for a profit that cannot be offset by a loss. Therefore, investors may owe capital gains taxes upon selling mutual fund shares, in addition to possible taxes on our firm's capital gains.

- *Exchange Traded Funds:* We invest in exchange traded funds (“ETFs”) on behalf of our clients which are subject to risks similar to those of shares of other diversified portfolios. Investment return and principal value will fluctuate and are subject to market volatility. ETF shares may be valued more or valued less than their original cost or net asset value (NAV) at the time of sale or redemption. Although ETFs are designed to provide investment results that generally correspond to the performance of their respective underlying indices, the funds may not be able to exactly replicate the performance of the indices because of fund expenses and other factors. Also, there are often transaction charges associated with ETFs that increase expenses to our clients.
- *Derivatives.* We may invest in funds which utilize derivative instruments, or “derivatives,” which include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of the underlying asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” a relatively small adverse market movement can not only result in the loss of the entire investment but may also expose our clients to the possibility of a loss exceeding the original amount invested. Derivatives may also expose our clients to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Derivatives may also expose our clients to counterparty risk. The counterparty risk lies with each party with whom our client’s contract for the purpose of making derivative investments. In the event of the counterparty’s default, our clients will only rank as unsecured creditors and risks the loss of all or a portion of the amounts they are contractually entitled to receive.
- *Emerging Markets.* We may invest in securities of non-U.S. companies and foreign countries. Investing in these securities involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain

government policies that may restrict the Account's investment opportunities. Emerging markets often can be disproportionately affected by natural disasters, given existing deficiencies in infrastructure. Many emerging markets are in regions with both political and economic strife that has the propensity to cause conflict. Emerging markets securities carry special risks, such as less developed or less efficient trading markets, a lack of company information, and differing auditing and legal standards. There is less regulation, generally, of the securities markets in foreign countries than there is in the United States. In addition, accounting and financial reporting standards that prevail in foreign countries generally are not equivalent to United States standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the United States. Moreover, an issuer of securities may be domiciled or may operate in a country other than the country in whose currency the instrument is denominated, thereby increasing the possibility of an adverse impact from currency changes. In addition, unfavorable changes in foreign currency exchange rates may adversely affect the U.S. dollar values of securities denominated in foreign currencies or traded in non-U.S. markets.

- *Borrowing/Leverage:* We may invest in funds which borrow against the assets of the funds when management believes that the proceeds from doing so will exceed the interest paid on the borrowing. Borrowing involves risk to our clients because the interest on the borrowed amount may be greater than the income from or increase in the value of the securities purchased with the borrowed amount. Also, there is always a possibility that the value of the securities purchased with the borrowed amount can decline below the amount borrowed. Generally, borrowing-type techniques used to increase potential returns are all forms of leverage. Trading on margin is a form of leverage. Specifically, when funds trade on margin, they are borrowing from a broker to purchase more securities than they otherwise would be able to with their initial cash investment. The securities purchased on margin serve as collateral for the broker's loan. Trading on margin is risky because it not only can increase gains, but also can amplify losses to the point where more than an initial investment can be lost.

Any investment profits made with the proceeds from borrowings in excess of interest paid on the borrowings will cause the income and value of a fund in which a client is invested to be greater than would otherwise be the case. On the other hand, if the value of the additional securities purchased with the borrowed money does not increase enough to cover the interest paid on the borrowings, then the income and value will be less than would otherwise be the case.

- *Foreign Securities:* We invest in funds whose portfolios contain foreign securities. Investing in foreign securities involves certain risk factors not typically associated with investing in U.S. securities, such as fluctuation between exchange rates and the costs of converting from one currency to another. In addition, there may not

be much information available regarding foreign securities because foreign companies and governments may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those of the U.S. There also might be a greater risk of political, social or economic instability and the possibility that foreign taxes may be imposed on our clients' income. Additionally, when investing in foreign bonds, there is always a risk that their issuer will default and be unable to pay the interest and/or principal payments due on the bonds, as the financial stability of foreign issuers may be more precarious than that of U.S. issuers.

Finally, non-U.S. markets have different clearance and settlement procedures which, in some markets, have difficulty keeping pace with large volumes of transactions. This can lead to substantial delays and settlement failures that could adversely affect a fund's performance.

The above sets forth certain material risks that are associated with investments with us by our separate account advisory clients, but it is not a complete list of risks. Similarly, the paragraphs below set forth certain material risks associated with investments in the Partnerships, but it is not a complete list of risks either. While the material risks applicable to our separate account clients and the Partnerships differ in some regard based on the types of investments they generally make, clients should understand that the omission above of any risk cited below under "Ackerman Value Partners, L.P.", or – conversely - the omission below of any risk cited above under "Separately Managed Accounts", does not imply that any such risk is absent or diminished in connection with an investment with the other business.

Ackerman Value Partners, L.P.

Ackerman Value Partners, L.P. is a private investment partnership. Ackerman Value Partners, L.P. aims to generate long-term capital appreciation and income while reducing the risk of capital loss associated with equity investments. Ackerman Value Partners, L.P. primarily invests in a portfolio of publicly-traded U.S. equity securities, both long and short, although other strategies and types of investments may be employed.

The investment philosophy of Ackerman Value Partners, L.P. is based on the premise that attractive long-term returns can be realized through a diversified, disciplined, value-oriented investment strategy. Ackerman Value Partners, L.P. seeks to maximize the returns from such a value strategy by focusing on profit opportunities created by the judgmental biases and behavioral weaknesses of investors.

Certain material risks associated with an investment in Ackerman Value Partners, L.P. include:

- *Investment Judgment and Market Risk:* The success of the Ackerman Value Partners, L.P., in large part, on correctly evaluating future price movements of potential

investments. We cannot guarantee that we will be able to accurately predict these price movements and that our investment programs will be successful.

- *Investment and Trading Risk Generally:* Investments in securities and other financial instruments involve a degree of risk that the entire investment may be lost. The use of short sales and option trading can, in certain circumstances, substantially increase the impact of unfavorable price movements on our clients' investments. Also, changes in the general level of interest rates may negatively affect our clients' results.
- *Dependence on our Firm.* The success of Ackerman Value Partners, L.P. is largely dependent upon our firm. There is no guarantee that our firm or the individuals employed by our firm will remain willing or able to provide advice to Ackerman Value Partners, L.P. or that trading on this advice by our firm will be profitable in the future. The performance of the firm and in turn Ackerman Value Partners, L.P. depends upon certain key personnel, particularly David Ackerman, the portfolio manager for Ackerman Value Partners, L.P. If Mr. Ackerman becomes incapacitated, the performance of Ackerman Value Partners, L.P. may be adversely affected.
- *Short Selling:* Ackerman Value Partners, L.P. engages in short selling. Short selling of securities occurs when we borrow securities, promising to buy them at a later date. If the price drops, we can buy the securities at the lower price and make a profit on the difference. If the price rises, we have to buy them back at the higher price, and the investment loses money. Furthermore, whereas when we buy securities long our clients' risk of loss is limited to the cost of the securities, there is no limit to losses in a short sale because there is no cap on the price our clients may have to pay to buy the borrowed securities. Buying the securities can itself cause the price of the securities to rise further which would exacerbate the potential for loss.
- *Borrowing/Leverage:* Ackerman Value Partners, L.P. may borrow against the assets of Ackerman Value Partners, L.P. when management believes that the proceeds from doing so will exceed the interest paid on the borrowing. Borrowing involves risk to our clients because the interest on the borrowed amount may be greater than the income from or increase in the value of the securities purchased with the borrowed amount. Also, there is always a possibility that the value of the securities purchased with the borrowed amount can decline below the amount borrowed. Generally, borrowing-type techniques used to increase potential returns are all forms of leverage.

Any investment profits made with the proceeds from borrowings in excess of interest paid on the borrowings will cause the income and value of an investment to be greater than would otherwise be the case. On the other hand, if the value

of the additional securities purchased with the borrowed money does not increase enough to cover the interest paid on the borrowings, then the income and value of an investment will be less than would otherwise be the case.

- *Margin Transactions:* To increase Ackerman Value Partners, L.P.'s buying power, we often engage in margin transactions. Trading on margin is a form of leverage. Specifically, when Ackerman Value Partners, L.P. trades on margin, it is borrowing from a broker to purchase more securities than they otherwise would be able to with its initial cash investment. The securities purchased on margin serve as collateral for the broker's loan. Should the collateralized securities decline in value, Ackerman Value Partners, L.P. could be subject to a "margin call," under which it must either deposit additional funds or securities with the broker or sell the pledged securities to compensate for the decline in value. If the value of Ackerman Value Partners, L.P.'s assets suddenly drops, it might not be able to liquidate assets quickly enough to satisfy its margin requirements. Trading on margin is risky because it not only can increase gains, but also can amplify losses to the point where Ackerman Value Partners, L.P. may lose more than its initial investment.
- *Hedging Transactions:* Ackerman Value Partners, L.P. may use various other instruments to seek a hedge against the risk of changes in the level of prices of broad market averages or indices, as well as narrower indices or baskets of securities. Ackerman Value Partners, L.P. may execute these hedging strategies through the use of exchange-traded equity index options or futures contracts or options futures contracts, standardized or individually negotiated over-the-counter contracts or other forms of derivative contracts.

These hedging strategies have risks associated with them, including possible default by the other party to the transaction, illiquidity and the risk that the use of these hedging strategies could result in losses greater than if they had not been used. The lack of complete correlation between price movements of these hedging strategies and price movements in the portfolio position creates the possibility that losses in the value of Ackerman Value Partners, L.P.'s position may be greater than the gain on the hedging instrument. The possibility also exists that a gain in a fund's portfolio positions may be less than the loss on the hedging instrument. In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter index contracts may have no markets. As a result, Ackerman Value Partners, L.P. might not be able to close out a transaction without incurring substantial losses. While the successful use of these hedging strategies should tend to reduce the risk of loss due to a decline in the value of the hedged position, the use of these hedging strategies may also limit any potential gain which might result from an increase in value of the hedged position.

- *Short-term Trading:* Ackerman Value Partners, L.P. may engage in short-term trading. Short-term trading involves a certain degree of risk. Short-term trading offsets the strategy of minimizing risk by holding a position over a longer time period. In addition, frequent trading results in high turnover and brokerage commission expenses which can adversely affect Ackerman Value Partners, L.P.'s performance if its trading is not sufficiently profitable.
- *Financial Markets and Regulatory Change:* The instability pervading global financial markets has heightened the risks associated with the investment activities and operations of private investment funds, including - with respect to funds that may engage in similar activities as Ackerman Value Partners, L.P. - those resulting from a reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which we work. Market disruptions over the recent years and the increase in capital being allocated to hedge funds and other alternative investment vehicles have led to increased scrutiny and regulation over the private investment fund and asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to Ackerman Value Partners, L.P., especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to partners' interests.
- *Lack of Investment Diversification:* Although Ackerman Value Partners, L.P. typically maintains a well-diversified portfolio and seeks to limit the exposure to any individual stock to less than 5% of Ackerman Value Partners, L.P., there may be times when we may determine that the Partnership should hold a few, relatively large investments in relation to its capital. Consequently, the success of the Partnership could be substantially adversely affected by the unfavorable performance of a single investment.

ACM Enhanced Municipal Income Fund, L.P.

ACM Enhanced Municipal Income Fund, L.P. is a private investment partnership. ACM Enhanced Municipal Income Fund, LP invests in Closed End Municipal Bond Funds (CEFs), both long and short, although other strategies and types of investments may be employed.

The investment philosophy of ACM Enhanced Municipal Income Fund, L.P. is based on the premise that municipal CEFs offer the opportunity to profit from long term and short-term price inefficiencies.

Certain material risks associated with an investment in ACM Enhanced Municipal Income Fund, L.P. include:

- *Investment Judgment and Market Risk:* The success of the ACM Enhanced Municipal Income Fund, L.P., in large part, on correctly evaluating future price movements of

potential investments. We cannot guarantee that we will be able to accurately predict these price movements and that our investment programs will be successful.

- *Investment and Trading Risk Generally:* Investments in securities and other financial instruments involve a degree of risk that the entire investment may be lost. The use of short sales and option trading can, in certain circumstances, substantially increase the impact of unfavorable price movements on our clients' investments. Also, changes in the general level of interest rates may negatively affect our clients' results.
- *Dependence on our Firm.* The success of ACM Enhanced Municipal Income Fund, L.P. is largely dependent upon our firm. There is no guarantee that our firm or the individuals employed by our firm will remain willing or able to provide advice to ACM Enhanced Municipal Income Fund, L.P. or that trading on this advice by our firm will be profitable in the future. The performance of the firm and in turn ACM Enhanced Municipal Income Fund, L.P. depends upon certain key personnel, particularly David Ackerman, the portfolio manager for ACM Enhanced Municipal Income Fund, L.P. If Mr. Ackerman becomes incapacitated, the performance of ACM Enhanced Municipal Income Fund, L.P. may be adversely affected.
- *Short Selling:* ACM Enhanced Municipal Income Fund, L.P. engages in short selling. Short selling of securities occurs when we borrow securities, promising to buy them at a later date. If the price drops, we can buy the securities at the lower price and make a profit on the difference. If the price rises, we have to buy them back at the higher price, and the investment loses money. Furthermore, whereas when we buy securities long our clients' risk of loss is limited to the cost of the securities, there is no limit to losses in a short sale because there is no cap on the price our clients may have to pay to buy the borrowed securities. Buying the securities can itself cause the price of the securities to rise further which would exacerbate the potential for loss.
- *Borrowing/Leverage:* ACM Enhanced Municipal Income Fund, L.P. may borrow against the assets of ACM Enhanced Municipal Income Fund, L.P. when management believes that the proceeds from doing so will exceed the interest paid on the borrowing. Borrowing involves risk to our clients because the interest on the borrowed amount may be greater than the income from or increase in the value of the securities purchased with the borrowed amount. Also, there is always a possibility that the value of the securities purchased with the borrowed amount can decline below the amount borrowed. Generally, borrowing-type techniques used to increase potential returns are all forms of leverage.

Any investment profits made with the proceeds from borrowings in excess of interest paid on the borrowings will cause the income and value of an investment

to be greater than would otherwise be the case. On the other hand, if the value of the additional securities purchased with the borrowed money does not increase enough to cover the interest paid on the borrowings, then the income and value of an investment will be less than would otherwise be the case.

- *Margin Transactions:* To increase ACM Enhanced Municipal Income Fund, L.P.'s buying power, we often engage in margin transactions. Trading on margin is a form of leverage. Specifically, when ACM Enhanced Municipal Income Fund, L.P. trades on margin, it is borrowing from a broker to purchase more securities than they otherwise would be able to with its initial cash investment. The securities purchased on margin serve as collateral for the broker's loan. Should the collateralized securities decline in value, ACM Enhanced Municipal Income Fund, L.P. could be subject to a "margin call," under which it must either deposit additional funds or securities with the broker or sell the pledged securities to compensate for the decline in value. If the value of ACM Enhanced Municipal Income Fund, L.P.'s assets suddenly drops, it might not be able to liquidate assets quickly enough to satisfy its margin requirements. Trading on margin is risky because it not only can increase gains, but also can amplify losses to the point where ACM Enhanced Municipal Income Fund, L.P. may lose more than its initial investment.
- *Hedging Transactions:* ACM Enhanced Municipal Income Fund, L.P. may use various other instruments to seek a hedge against the risk of changes in the level of prices of broad market averages or indices, as well as narrower indices or baskets of securities. ACM Enhanced Municipal Income Fund, L.P. may execute these hedging strategies through the use of exchange-traded equity index options or futures contracts or options futures contracts, standardized or individually negotiated over-the-counter contracts or other forms of derivative contracts.

These hedging strategies have risks associated with them, including possible default by the other party to the transaction, illiquidity and the risk that the use of these hedging strategies could result in losses greater than if they had not been used. The lack of complete correlation between price movements of these hedging strategies and price movements in the portfolio position creates the possibility that losses in the value of ACM Enhanced Municipal Income Fund, L.P.'s position may be greater than the gain on the hedging instrument. The possibility also exists that a gain in a fund's portfolio positions may be less than the loss on the hedging instrument. In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter index contracts may have no markets. As a result, ACM Enhanced Municipal Income Fund, L.P. might not be able to close out a transaction without incurring substantial losses. While the successful use of these hedging strategies should tend to reduce the risk of loss due to a decline in the value of the hedged position, the use of these hedging

strategies may also limit any potential gain which might result from an increase in value of the hedged position.

- *Short-term Trading:* ACM Enhanced Municipal Income Fund, L.P. may engage in short-term trading. Short-term trading involves a certain degree of risk. Short-term trading offsets the strategy of minimizing risk by holding a position over a longer time period. In addition, frequent trading results in high turnover and brokerage commission expenses which can adversely affect ACM Enhanced Municipal Income Fund, L.P.'s performance if its trading is not sufficiently profitable.
- *Financial Markets and Regulatory Change:* The instability pervading global financial markets has heightened the risks associated with the investment activities and operations of private investment funds, including - with respect to funds that may engage in similar activities as ACM Enhanced Municipal Income Fund, L.P. - those resulting from a reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which we work. Market disruptions over the recent years and the increase in capital being allocated to hedge funds and other alternative investment vehicles have led to increased scrutiny and regulation over the private investment fund and asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to ACM Enhanced Municipal Income Fund, L.P. especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to partners' interests.
- *Illiquid Investments:* ACM Enhanced Municipal Income Fund, L.P. may make illiquid investments. Illiquid investments include (1) investments that are not heavily traded and cannot easily be converted to cash or (2) investments that we believe ACM Enhanced Municipal Income Fund, L.P. must hold for several years to reach their potential value. If ACM Enhanced Municipal Income Fund, L.P. requires cash and must sell illiquid investments at an inopportune time, it might not be able to sell illiquid investments at prices that reflect our assessment of their value or the amount paid for them.
- *Lack of Investment Diversification:* Although ACM Enhanced Municipal Income Fund, L.P. typically maintains a well-diversified portfolio of individual holdings, it is concentrated to the universe of Closed End Municipal Bond Funds. Consequently, the Partnership could be substantially adversely affected by the unfavorable performance of Closed End Municipal Bond Funds in general.
- *Risks of Investing in Closed-End Funds.* The shares of a closed-end fund may trade at a discount or premium to their net asset value ("**NAV**"). A closed-end fund may be leveraged as part of its investment strategy. As a result, the Fund may be indirectly exposed to the effects of leverage through its investment in the Underlying Funds.

Investments in Underlying Funds that use leverage may cause the value of the Fund's Interests to be more volatile than if the Fund invested in Underlying Funds that do not utilize leverage and may expose the Fund to the possibility that the Fund's long-term returns on such securities (and, indirectly, the long-term returns on the shares) will be diminished. To comply with provisions of the 1940 Act and the Exemptive Relief, the Investment Manager may be required to vote Underlying Fund shares in the same general proportion as shares held by other shareholders of the Underlying Fund.

- *Municipal Securities.* Municipal securities are subject to the risk that litigation, legislation or other political events, local business or economic conditions, credit rating downgrades, or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest or otherwise affect the value of such securities. Certain municipalities may have difficulty meeting their obligations due to, among other reasons, changes in underlying demographics. Municipal securities can be significantly affected by political changes as well as uncertainties in the municipal market related to government regulation, taxation, legislative changes or the rights of municipal security holders. Because many municipal securities are issued to finance similar projects, especially those relating to education, health care, transportation, utilities and water and sewer, conditions in those sectors can affect the overall municipal market. In addition, changes in the financial condition of an individual municipal insurer can affect the overall municipal market. Municipal securities may include revenue bonds, which are generally backed by revenue from a specific project or tax. The issuer of a revenue bond makes interest and principal payments from revenues generated from a particular source or facility, such as a tax on particular property or revenues generated from municipal water or sewer utility or an airport. Revenue bonds generally are not backed by the full faith and credit and general taxing power of the issuer. The market for municipal bonds may be less liquid than for taxable bonds. The value and liquidity of many municipal securities have decreased as a result of the recent financial crisis, which has also adversely affected many municipal securities issuers and may continue to do so. There may be less information available on the financial condition of issuers of municipal securities than for public corporations.
- *High Yield Securities Risk.* The Underlying Funds may invest in high yield securities. Securities rated below investment grade are commonly referred to as high yield securities or "junk bonds." High yield securities are often issued by issuers that are restructuring, are smaller or less creditworthy than other issuers, or are more highly indebted than other issuers. High yield securities are subject to greater risk of loss of income and principal than higher rated securities and are considered speculative. The prices of high yield securities are likely to be more sensitive to adverse economic changes or individual municipal developments than higher rated securities. During an economic downturn or substantial period of rising interest rates, high yield security issuers may experience financial stress that would adversely affect their ability to service their principal and interest payment obligations, to meet their projected business goals or to obtain additional financing. In the event of a default, the Fund may incur additional expenses to seek recovery. The secondary market for municipal

securities that are high yield securities may be less liquid than the markets for higher quality municipal securities or high yield securities issued by corporate issuers and, as such, may have an adverse effect on the market prices of and an Underlying Fund's ability to arrive at a fair value for certain securities. In addition, periods of economic uncertainty and change may result in an increased volatility of market prices of high yield securities and a corresponding volatility in the Fund's NAV.

We encourage our investors to consider all of the risk factors we have explained, as any investment can be risky, and investors must be prepared to assume any potential loss.

Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our firm or the integrity of its management.

Criminal and/or Civil Actions

Neither our firm, nor any of our directors, officers or principals has been involved in any criminal or civil actions in a domestic, foreign or military court.

Administrative Actions

Neither our firm, nor any of our directors, officers or principals has been involved in any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Self-Regulatory Actions

Neither our firm, nor any of our directors, officers or principals has been involved in any self-regulatory organization proceedings.

Item 10: Other Financial Industry Activities and Affiliates

Broker-Dealer

Neither our firm, nor any of our directors, officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Commodities

Neither our firm nor any of our directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

Ackerman Capital Management II

Ackerman Capital Management II, L.P., an affiliate of our firm, serves as the general partner of Ackerman Capital Management II, L.P. David Ackerman is a member of Ackerman Capital Management II, L.P.

ACM Enhanced Municipal Income GP

ACM Enhanced Municipal Income GP, L.P., an affiliate of our firm, serves as the general partner of ACM Enhanced Municipal Income, L.P. David Ackerman is a member of Ackerman Capital Management II, L.P.

We address possible potential conflicts of interest with respect to the interest of our principals in our hedge fund business, on the one hand, and in our separate account business, on the other hand, by fully disclosing the relationship among the firm and the Partnerships including in this brochure. Importantly, while the Principals may theoretically have an incentive to steer separate account clients to the Partnerships in order to obtain performance-based compensation, we nevertheless take our responsibilities as a fiduciary seriously and recommend the Partnerships only to investors for which such investment is suitable. Concerning the allocation of time and resources between the two businesses, particularly the time of our principals, the Firm is highly focused on ensuring that sufficient time and resources are devoted to both businesses in order to best serve our clients.

Other Related Persons

We do not have any related person who is:

- a broker-dealer, municipal securities dealer, or government securities dealer or broker;
- an investment adviser or financial planner;
- a future commissions merchant, commodity pool operator, or commodity trading adviser;
- a banking or thrift institution;
- an accountant or accounting firm;
- a lawyer or law firm;
- an insurance company or agency;
- a pension consultant;
- a real estate broker or dealer; or
- a sponsor or syndicator of limited partnerships.

Recommended Investment Advisers

We do not recommend or select other investment advisers for our clients.

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

Our Code of Ethics

We have adopted a Code of Ethics in accordance with the Securities and Exchange Commission requirements. Our Code of Ethics describes the general standards of conduct expected of all personnel of the firm, promotes a culture of honesty, integrity and professionalism and works to ensure that, among other things, our employees' securities transactions are consistent with our firm's fiduciary duty to our clients and we remain compliant with legal and regulatory requirements. Our Code of Ethics focuses on specific areas where employee conduct has the potential to affect clients' or investors' interests adversely, such as personal securities trading, outside activities, gifts, borrowing and lending, the influence of personal relationships and charitable contributions. Employees who fail to uphold the Code of Ethics are subject to disciplinary sanctions, including termination of employment.

Our Code of Ethics requires employees to submit annual statements to our compliance officer for any account holding securities in which an employee or certain of their family members have an interest. Certain employee trades in which an employee or certain of their family members have an interest must be reviewed and pre-approved by our compliance officer. We provide a copy of our Code of Ethics to any client or investor in our clients that requests one.

Participation or Interest in Client Transactions

Principals and employees of our firm may recommend to clients when appropriate to invest a portion of their capital in the Partnerships in which we have a material financial interest. Ackerman Value Partners, L.P. has a fixed 1% management fee and 20% performance re-allocation and ACM Enhanced Municipal Income, L.P. has no management and a 15% performance re-allocation. These fee structures could create an incentive for the firm to recommend the Partnerships to clients for whom it may not be suitable or in amounts that may not be prudent. In recommending Ackerman Value Partners, L.P. and ACM Enhanced Municipal Income Fund, LP to potential investors this conflict of interest is expressly communicated to the investor. In addition, in our role as a fiduciary of its clients' assets, our Code of Ethics requires that we must—at all times—act in the clients' best interests and we have a duty to ensure that any recommendations are suitable for each client's objective needs and circumstances. In addition, investments in Ackerman Value Partners, L.P. may only be purchased by investors who qualify as "accredited investors" or "qualified clients" as defined in the Partnerships' subscription documents.

With the sole exception of Ackerman Value Partners, L.P. and ACM Enhanced Municipal Income, L.P., principals and employees of our firm do not recommend investments in any other entity or security in which we have a material financial interest.

Personal Trading

Our principals and employees are not allowed to buy or sell, directly or indirectly:

- (i) certain covered securities that they know are being bought or sold by our firm for clients; or
- (ii) Any security related to a covered security being actively considered for purchase or sale by our firm for clients, such as puts, calls, other options or rights in such security.

In addition, our firm does not allow investment personnel to directly or indirectly acquire an interest in securities through a limited offering or in an initial public offering without obtaining the prior consent of our compliance officer (or his designee). When deciding whether consent shall be given, our compliance officer will consider whether the opportunity should be reserved for the client accounts.

However, our firm does not restrict transactions involving securities in which principals or employees have no direct or indirect influence or control and for which the purchase or sale of the security does not affect the execution of clients' transactions. For example, mutual fund shares which trade daily based on closing net asset values, and highly liquid exchange-traded funds, would typically be excluded. Under our Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of our clients.

At times, our firm, our affiliates or employees of our firm may buy or sell for themselves securities, or securities related to those, we also recommend to clients. This could create a conflict of interest if our principals and employees receive more favorable execution prices than do our clients because our principals' and employees' trades might have driven up the market prices of target securities. However, we strive to minimize this conflict by mandating that principals and employees cannot buy or sell these securities until we have first had the opportunity to buy or sell them for our clients' accounts, or by including these securities in a block transaction in which the firm, affiliate, or employee will receive the same execution. We are also careful to ensure that the interests of employees who may own securities held by our clients will not interfere with making decisions in the best interest of our advisory clients.

Additionally, the principals and portfolio managers of our firm have committed their own capital to its separate account offering and hedge fund offering. This helps align the interests of these individuals with that of our clients.

Trade Order Practices

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with our obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price.

Cross Transactions

Our policy is to avoid any cross securities transactions for, or between, client accounts, including (i) between our hedge fund client and any managed account client, (ii) between managed account clients and/or (iii) between any affiliated account and any client account.

Item 12: Brokerage Practices

Broker-Dealer Selection

In selecting broker dealers and determining the reasonableness of commissions for our clients' transactions, we strive to achieve "best execution," by taking into account any combination of the following factors:

- commission costs,
- capital adequacy, meaning that a broker-dealer has sufficient capital to correspond to its risk,
- ability and willingness to commit capital,
- confidentiality,
- the nature and quality of research products and services offered,
- market expertise and
- execution ability, which includes:
 - the minimization of total trading costs, errors, incomplete trades and market impact,
 - the speed at which a broker-dealer can affect a transaction,
 - a broker-dealer's use of advanced technology and infrastructure and
 - the maximization of price improvement.

Our focus on the foregoing factors is not necessarily expected to result in the lowest possible commission for transactions in client accounts, provided that we expect such commissions to be competitive.

With regard to separate accounts, our custodian, Schwab Advisor Services (“Schwab”), charges a flat dollar amount as a “prime broker” or “trade away” fees for each trade executed by a different broker-dealer but where the securities bought or the proceeds from securities sold are deposited (“settled”) into a client’s Schwab account. These fees are in addition to the other compensation paid to the executing broker-dealer. Because of this, in order to minimize trading costs, our firm typically uses Schwab to execute trades for separate accounts held in custody there. Having Schwab execute these trades is consistent with our duty to seek best execution.

The Partnerships may affect trades through one or more broker dealers (including its prime brokers, BTIG and Interactive Brokers).

Our clients, including our hedge fund clients, are responsible for all brokerage transaction costs and fees.

Research and Other Soft Dollar Benefits

With regard to the Partnerships, at times our firm may pay higher prices to buy securities from or accept lower prices for the sale of securities to, brokerage firms that provide us with investment and research information. This investment and research information is often referred to as “soft dollar” benefits. The research services that broker-dealers might provide include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. We can use these research services and products in connection with our advisory services for any of our accounts, not necessarily for only the account that “paid” for them. For example, we might utilize research services that a broker-dealer provides for our hedge fund client in connection with our advisory services for other accounts. While we do not aim to allocate soft dollar benefits to clients (e.g., the Partnerships) in proportion to the soft dollar credits generated, we do seek to allocate soft dollar benefits equally among all of our clients.

The Securities and Exchange Commission has created a safe harbor that protects financial advisers from liability for a possible breach of fiduciary duty to their clients for engaging in soft dollar arrangements for certain services at other than the lowest transaction costs if they make a good faith determination that the amount of the commission was reasonable in relation to the value of the services received. We intend that our soft dollar arrangements will fall within this safe harbor.

Using client transactions to obtain research and other benefits creates incentives that result in conflicts of interest between advisers and their clients. When we use client markups or markdowns to obtain research products and services, our firm receives a benefit because we do

not have to produce or pay for the research products and services. The availability of these benefits may influence us to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the products and services instead of on our clients' interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other broker-dealers.

The use of soft dollars to obtain research services and to pay for other costs and expenses that our firm might otherwise incur creates a conflict of interest between our firm and our clients because one or more of our clients (e.g., the Partnerships) pay for products and services that are not exclusively for their benefit and that may be primarily or exclusively for the benefit of our firm. To the extent that we are able to acquire these products and services without expending our own resources, our use of soft dollar benefits tends to increase our profitability.

We use particular procedures to direct transactions in return for soft dollars. We do not typically engage in soft dollar trades on behalf of our separately managed accounts.

Brokerage for Client Referrals

We do not consider referrals in selecting or recommending broker-dealers. Our firm does not recommend, request or require that a client—nor do we permit a client to—direct us to execute transactions through a specified broker-dealer.

Order Aggregation

Sometimes we decide that some or all of our clients should participate in the same investment opportunity. In this case, we aggregate the purchase or sale of the securities for the various client accounts. We then allocate the securities purchased (or sold) among our participating clients so that each client receives the same terms. We also seek to execute orders for all participating clients on an equitable basis. If we decide to invest at the same time for more than one of our clients, we place combined orders for all these accounts simultaneously, and, if all these orders are not filled at the same price, we average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under current market conditions, we allocate the trade among the different accounts on a basis that we consider equitable. Ultimately, clients can benefit when we aggregate trades because they get volume discounts on execution costs. On the other hand, situations may occur where one client could be disadvantaged because of the investment activities we conduct for other clients. In addition, various factors (e.g., available cash, tax implications, risk tolerance, size of transaction, etc.) may impact our decision as to whether certain clients will participate in an investment opportunity and others will not.

Mutual fund sales and purchases are subject to time-cut-offs in order to receive same day or next day execution at the fund's net asset value. In placing common trades for our clients, under certain circumstances, some trades may be received before the time cut-off while other trades may be received after the cut-off. This can create a situation in which clients may receive different execution prices related to the same common trade. Because mutual fund trading

occurs based on net asset value and purchases or sales of a fund do not affect net asset value, we believe that such situations do not harm or benefit certain clients over others.

12b-1 Fees

While the firm does not receive 12b-1 fees, it may receive some indirect benefit from receiving products and services from the custodian or broker-dealer that retained 12b-1 fees.

Cybersecurity Risks

With the increased use of technologies such as the Internet to conduct business, the Manager, its Clients, its service providers, and the Client's investments are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and may arise from external or internal sources. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems, corrupting data, equipment or systems, or causing network services to be unavailable to intended users (i.e., "denial of service") or other operational disruption. Cyber incidents affecting the Manager, its Clients, its service providers and the Client's investments have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the release of investor information or confidential business information, interference with the ability to calculate the value of the Client's investments, destruction to equipment and systems, violations of applicable privacy and other laws, regulatory fines or penalties, reputational damage or additional compliance costs. The Manager will seek to implement safeguards to protect its Clients against cyber-attacks. However, there can be no assurance that the Manager will be successful in preventing the occurrence of cyber-attacks or mitigating the impact of cyber-attacks.

Item 13: Review of Accounts

Separately managed accounts are reviewed in a continuous and regular manner by the firm's investment professionals, including David Ackerman, Johnny Hea, Keller Reid, and Anne Rushing. Exchange-traded funds and mutual funds are evaluated primarily based on measure of valuation and price trends. A review of an account may also be triggered by the action of the investment markets, by the change in a particular client's circumstances or investment objectives, or by client request.

David Ackerman, who also serves as the Partnerships' portfolio manager, reviews our hedge fund client's accounts on a continuous and regular manner. The securities are evaluated for upside potential relative to related risks given a variety of fundamental and technical criteria. The net exposures of the funds are reviewed based on the technical price action of the broad market, the monetary environment, seasonal factors, and investor sentiment.

Clients in separately managed accounts have access to the ACM client portal, where they can access up to date information on their account holdings, activity, and investment returns. Clients receive monthly brokerage statements from the custodian. In addition, on a quarterly

basis, our firm provides clients with (1) a comprehensive report that includes a variety of portfolio information, including performance reporting versus relevant benchmarks, (2) an invoice detailing the calculation of management fees that have been deducted from clients' accounts for the previous quarter and (3) a letter which focuses generally on the firm's economic and investment outlook and recent purchases or sales. Please note that the balances used to calculate advisory fees reflected on firm statements may vary from monthly brokerage statements received from the custodian based on the firm's use of average-weighted daily capital balance for purposes of calculating management fees. Please refer to *Item 5* for a further description on Management Fees. The foregoing reports and documentation are made available to clients electronically and/or by mail.

Limited partners in our Partnerships, Ackerman Value Partners, L.P. and ACM Enhanced Municipal Income Fund, L.P., receive a performance memorandum on a monthly basis that contains the Partnerships' estimated performance for the previous month and year to date, together with applicable benchmark comparisons and exposures (long, short, net). On a quarterly basis, limited partners in Ackerman Value Partners, L.P. receive a letter from our firm discussing, among other things, the investment landscape, recent activity, strategies being employed and an evaluation of performance, together with a "data sheet" with more detailed information regarding the fund's holdings. All monthly and quarterly reporting for the Partnerships is typically sent to limited partners electronically. Limited partners also receive written annual reports contain audited financial statements and tax information by mail and/or electronically based on their preference.

The Partnerships retain a third-party administrator which provides certain administrative, accounting and investor services to the Partnerships. The administrator is responsible for, among other things, calculating the Partnerships' net asset value, performance and fees and assists in coordinating the year-end audit with the Partnerships' independent auditor. The administrator also serves as required signatory on a bank account through which our firm's fees are disbursed.

Item 14: Client Referrals and Other Compensation

Please see **Item 12: Brokerage Practices** for a description of our soft dollar practices. Also see **Item 15: Custody** for a description of certain benefits.

In certain circumstances, the firm may, pursuant to a written agreement, compensate third parties for introducing prospective clients to the firm. Such compensation will be paid in compliance with applicable SEC rules and other applicable laws and regulations.

In connection with its retirement plan consulting services, the firm has entered into an agreement with Fairway Partners LLC ("Fairway") pursuant to which the firm pays Fairway a fee in exchange for Fairway referring to the firm prospective plan clients. Under the agreement, the firm pays Fairway approximately 25% of the firm's annual fee for providing services to the referred client. The foregoing payments are paid to Fairway for a period of four years from the

date the firm is first engaged by the referred client. The agreement is terminable by either party on specified advance notice.

Item 15: Custody

While it is our firm's practice not to accept or maintain physical possession of our clients' assets, we are deemed to have custody of our Partnerships investors' assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because we have the authority to access our Partnerships investors' funds and deduct our fees and expenses from our Partnerships investors' accounts. We do not have custody of the assets of our separate account clients.

In order to comply with Rule 206(4)-2, we use a bank or qualified custodian (as defined under Rule 206(4)-2) to hold all of our clients' assets. We also ensure that the qualified custodian maintains these funds in accounts that contain only clients' funds and securities, under our name as agent for the clients. In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit the Partnerships at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all limited partners within 120 days after the end of the fiscal year.

Separate account clients will receive account statements directly from the custodian and are urged to review them carefully and compare them with any reports internally prepared by our firm.

Schwab Advisor Services, a division of Charles Schwab & Co., Inc. serve as the qualified custodians for our separate account clients. Our Partnerships investor assets are held in the custody of the Partnerships' prime brokers, BTIG, LLC and Interactive Brokers Group, Inc. Our firm is independently owned and is not affiliated with Charles Schwab, Interactive Brokers Group, Inc., BTIG, LLC, or any other custodian or broker. Our choice of custodians is based on factors such as, among other things, proven integrity and financial responsibility, trade execution ability, commission costs and overall service quality. Our firm receives no fees or commissions from any custodial arrangements, although we may receive soft dollar benefits. See **Research and Other Soft Dollar Benefits** above.

Schwab provides our firm and our clients with access to institutional brokerage—trading, custody, reporting, and related services—some of which may not typically be available to Schwab retail customers. Schwab also makes available various support services which help us administer accounts. The availability of Schwab's services benefits our firm because these services are free as long as our clients collectively keep a total of at least \$10 million in assets at Schwab. This minimum may give us an incentive to recommend that clients custody assets with Schwab and is a potential conflict of interest. However, we believe that the selection of Schwab as custodian and broker is in the best interests of our clients. This decision is primarily based on the scope, quality, and price of Schwab's services. For example, Schwab's services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some which might otherwise require a higher minimum initial investment. As of December 31, 2019, our firm and its principals had more

than \$430 million in assets in custody at Schwab. We do not believe that recommending clients collectively maintain at least \$10 million in assets at Schwab in order avoid paying Schwab quarterly service fees represents a material conflict of interest.

With respect to products and services that benefit our firm but may not directly benefit a client or a client's portfolio, Schwab assists us in managing and administering client portfolios. For example, Schwab makes available software and other technology that provides access to client portfolio data, e.g., duplicate trade confirmations and account statements; facilitates trade execution and allocates aggregated trade order for multiple accounts; provides pricing and other market data; facilitates payment of advisor fees from our clients' accounts; assists with back-office functions, record keeping, and client reporting. Schwab also offers other services intended to help our firm manage and further develop its business enterprise. Schwab may provide some of these services itself. In other cases, Schwab will arrange for third-party vendors to provide the services. Schwab may also discount or waive its fees for some of these services or pay all or part of a third-party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel, as well as educational conferences and publications on practice management, consulting on technology, compliance, legal and other business needs.

Item 16: Investment Discretion

Scope of Authority

Our firm accepts discretionary authority to manage our clients' securities accounts. Essentially, this means that we have the authority to determine, without obtaining specific client consent, which securities to buy or sell, the amount of securities to buy or sell and when to buy or sell securities. Despite this broad authority, we are committed to adhering to the Investment Policy Statement associated with each strategy offering selected by our clients and our separate account investment advisory agreement. With regard to our hedge funds, we adhere to the respective Private Placement Memorandum and limited partnership agreements. Clients may limit our authority and, if so, we will exercise our discretion in a manner consistent therewith.

Procedures for Assuming Authority

Before assuming authority of separately managed accounts we provide all investors with a copy of this brochure and our Privacy Policy. We also require a signed investment advisory agreement and signed investment offering election form acknowledging the receipt and review of the Investment Policy Statement corresponding to the selected offering(s).

With regard to the Partnerships, before accepting subscriptions for interests, we provide all investors in the Partnerships with a Private Placement Memorandum and limited partnership agreement. By completing our subscription documents to acquire an interest in the Partnerships, investors give us complete authority to manage their investments in accordance with the Private Placement Memorandum and/or limited partnership agreement.

Item 17: Voting Client Securities

Proxy Voting Policy

Because clients have, in most cases, delegated the power to vote their securities to our firm, we have implemented proxy voting policies and procedures in accordance with securities laws and our fiduciary obligations to our clients. We determine how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. We vote in a manner that our firm believes reasonably furthers the best interests of the client and is consistent with the client's investment philosophy as set forth in the relevant investment management documents. Clients may not direct our vote in any particular situation for which we have proxy voting authority.

We will generally vote in favor of matters which follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders and/or present compensation plans that are commensurate with enhanced manager performance and market practices.

Potential Conflicts of Interest

If a proxy vote creates a material conflict between our interests and the interests of a client, we will resolve the conflict before voting the proxies. We will either disclose the conflict to the client and obtain consent or take other steps designed to ensure that a decision to vote the proxy was based on our determination of the client's best interest and was not the product of the conflict.

Recordkeeping

We maintain records of (i) all proxy statements and votes that are made on behalf of the clients; (ii) all written requests from clients regarding voting history; and (iii) all responses (written and oral) to clients' requests. These records are available to the clients (and owners of a client that is an investment vehicle) upon request.

We have the authority to vote all proxies in Ackerman Value Partners, L.P. Clients in separately managed accounts are given the option of receiving their own proxies or to have them directed to our firm, in which case we vote these proxies on their behalf.

Item 18: Financial Information

We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients. Our firm has never been the subject of a bankruptcy petition.