

**BROCHURE OF**  
**THRIVE CAPITAL LLC**

A New York Limited Liability Company registered with the U.S. Securities  
and Exchange Commission as an Investment Adviser  
CRD# 310409

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**September 9, 2020**

**THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND  
BUSINESS OF THRIVE CAPITAL LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE  
CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 917-657-6422.  
THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY  
THE U.S. SECURITIES AND EXCHANGE COMMISSION (“SEC”) OR ANY STATE  
SECURITIES AUTHORITY. REGISTRATION AS AN INVESTMENT ADVISER DOES NOT  
IMPLY A LEVEL OF SKILL OR TRAINING.**

**ADDITIONAL INFORMATION ABOUT THRIVE CAPITAL LLC ALSO IS AVAILABLE ON  
THE SEC’S WEBSITE AT [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV).**

The delivery of this brochure (the “**Brochure**”) at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. This Brochure will supersede all other documents containing information about Thrive Capital LLC.

## **Item 2. MATERIAL CHANGES**

No material changes have occurred with respect to Thrive Capital LLC (the “**Firm**”) advisory services, as this is the Firm’s initial Brochure.

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#### **Appendix A- Privacy Policy**

#### **Item 4. ADVISORY BUSINESS**

- (A) **Operational and Organizational Information:** The Firm is a limited liability company formed under the laws of the state of New York in June, 2020. As stated on the cover page of this Brochure, registration as an investment adviser does not imply a level of skill or training. The sole owner of the Firm is Henry Goodman. The Firm's Chief Compliance Officer is Henry Goodman.
- (B) **Types of Advisory Services Offered:** The Firm's investment advisory activities generally focus on specialty finance investment opportunities. The Firm intends to provide investment management services to pooled investment vehicles ("**Funds**") and separately managed accounts ("**Managed Accounts**", separately, and together with the Funds, as the context requires, the "**Clients**"), on a discretionary and non-discretionary basis. Currently, the Firm is seeking capital to provide portfolio management services to Managed Accounts pursuant to investment management agreements with such Managed Accounts. Currently, the Firm does not have any Fund Clients.
- (C) **Client Investment Guidelines and Parameters:** The Firm generally tailors its investment advice to Managed Accounts. Advisory services include among other things, providing advice regarding asset allocation and the selection of investments. Decisions relating to investment advice are based on an analysis of the merits of the investment involved and on the investment guidelines and restrictions of the Client. The Firm provides discretionary investment advisory services to all fee paying Client accounts. Lower fees for comparable services may be available from other sources. The Firm has limited trading authority with respect to Managed Accounts; in this regard, the Firm will not have custody of the assets of the Managed Accounts. Each Client's investment management agreement includes investment guidelines and parameters that provide the context within which the Firm renders its investment advisory services.
- (D) **Wrap Fee Programs:** The Firm does not participate in wrap fee programs.
- (E) **Client Assets Under Management:** (*rounded to the nearest \$100,000*)
- (i) Discretionary: \$0 as of the date of this Brochure.
  - (ii) Non-discretionary: \$0 as of the date of this Brochure.

#### **Item 5. FEES AND COMPENSATION**

- (A) *Generally:* All fees are individually negotiated. Circumstances considered when negotiating fees may include, without limitation, customary market rates, specialized guidelines, and other performance/incentive fee/allocation arrangements with the Client.

Management fees for Client accounts are calculated based on a periodic percentage of the value of the assets under management (the “**Management Fee**”).

The Firm may also receive a performance-based fee or incentive fee/allocation (the “**Performance Allocation**”) which is tied to the capital appreciation within the account as evaluated at the end of each calendar year. Please refer to Item 6, below, for a more detailed description of incentive fees/allocations, and related conflicts of interest.

- (B) **Payment of Fees:** *Managed Accounts:* Management Fees are charged as stated in the relevant investment management agreement.

Please refer to Item 6, below, for a more detailed description regarding the Performance Allocation.

- (C) **Additional Fees and Expenses:**

*Generally:* The Firm will be responsible for its own general operating and overhead expenses associated with providing the management and investment management services. These expenses include all expenses incurred by the Firm in providing for its operating overhead, including, but not limited to, the cost of providing relevant support and administrative services (e.g., employee compensation and benefits, rent, office equipment, computer systems, insurance, utilities, telephone, secretarial and bookkeeping services, etc.). Nonetheless, any fund or other pooled vehicle which may be organized in the future will bear its own expenses as further described in the applicable offering documents.

Clients will also bear any agreed upon expenses as set forth in the relevant investment management agreement, including brokerage and other transactions costs. Without limiting the foregoing, generally, the Client shall pay, or reimburse the Firm for, certain fees and expenses which may include, in some or all instances, fees and costs relating to the trading of securities, brokerage commissions (see Item 12, “Brokerage Practices”), costs of borrowing securities to be sold short, costs of preparing and mailing reports to Clients, and other similar fees and expenses. The Client may also pay or reimburse the Firm for research fees and expenses (including online news and quotation services) appropriately allocable, in the Firm’s discretion, to the operations of advising said Client.

The Firm will not receive any portion of such commissions or fees from the custodian or Client. In addition, Clients may incur certain charges imposed by third parties other than the Firm in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12(b)-1 fees, and surrender charges, and IRA and qualified retirement plan fees. Performance Allocations charged by the Firm are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to Clients. A description of these fees and expenses are available in each mutual fund security’s prospectus.

Clients should review Item 12, which discusses conflicts of interest related to brokerage practices.

- (D) **Fees Paid in Advance/Arrears:** Managed Accounts will pay Management Fees, in advance or in arrears, according to the terms of the applicable investment management agreement, each of which is individually negotiated.

**Termination of Services:** Termination terms are specified in the applicable investment management agreement.

- (E) **Additional Compensation of Supervised Persons:** No supervised person accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products. The Firm will collect certain administrative fees from issuers relating to the loan participation process.

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

*Managed Accounts:* The Firm receives a mutually agreed upon periodic Performance Allocation, which typically will range between 10-20% of such Clients' net income for the period in excess of any previously recovered net losses, although the Firm reserves the right to modify such fees on a case by case basis.

*Generally:* In order for the Firm to receive a Performance Allocation, the Firm must achieve capital appreciation within the account. The Performance Allocation that the Firm will receive is subject to a Loss Carryforward, which means that no Performance Allocation will be earned unless the performance exceeds the previously achieved high water mark where a Performance Allocation was charged. The high water mark will be used in order to prevent a scenario whereby the Firm could receive a Performance Allocation merely for recouping prior losses. A full description of the entire fee arrangement will be disclosed to the Client in the investment management agreement or Fund offering documents. Fees generally are deducted directly from the Client's account, as specified in the relevant investment management agreement or Fund offering documents. The Firm's receipt of a Performance Allocation is intended to align the Firm's interests with those of its Clients, and, to provide the Firm with a greater incentive to manage assets well. The nature of the Performance Allocation, however, creates potential conflicts of interest among the Firm, its associated persons, and Clients.

Such fees will be structured and charged in a manner consistent with the requirements of applicable law. An incentive fee arrangement may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of a Performance Allocation. To the extent the Firm values any such securities or instruments, it has a conflict of interest as the Firm will receive higher Management Fees and Performance Allocation if it gives such securities and instruments a higher valuation. The Firm may receive increased compensation with regard to unrealized appreciation as well as realized gains in the Client's account, depending on the specific time periods and the nature of any preferred returns. Where any part of the Firm's compensation is based in part on the unrealized appreciation of securities or instruments for which market quotations are not readily available, the Firm shall disclose how such securities or instruments will be valued and the extent to which the valuation will be determined independently.

In addition, in the event that the Firm manages an account from which it collects a Performance Allocation and also manages at the same time an account from which it does not collect a Performance Allocation, the Firm has an incentive to favor accounts for which it receives the Performance Allocation because it will receive a greater profit from the accounts which are charged a Performance Allocation. Therefore, the Firm has an incentive to allocate investments that are

expected to be more profitable to accounts from which it collects a Performance Allocation, on the one hand, and that are riskier on the other hand, since in both scenarios, the Firm may receive greater fees if the investment generates a positive return. Notwithstanding the foregoing, the Firm does not favor accounts that pay a Performance Allocation.

The Firm does not represent that the amount of the Performance Allocation or the manner of calculating the Performance Allocation is consistent with other performance-related fees charged by other investment advisers under the same or similar circumstances. The Performance Allocation charged by the Firm may be higher or lower than the Performance Allocation charged by other investment advisers for the same or similar services.

## **Item 7. TYPES OF CLIENTS**

The Firm intends to provide investment advice to Managed Accounts and pooled investment vehicles. Such pooled investment vehicles will be a related entity to the Firm. Investment advice is provided directly to the Managed Account or Fund and not individually to any investors in a Fund. Investors in a Fund Client generally include high net worth individuals, family offices, fund of hedge funds, endowments, foundations, trusts, charitable organizations, pension plans, sovereign wealth funds and corporate or business entities. All investors in a Fund and a Managed Account subject to a performance fee shall be Qualified Clients, as defined in Rule 205-3, under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

The Firm does not currently require that a Client account be funded with a minimum funding requirement. Additionally, the Firm does not impose any specific requirement to open or maintain a Managed Account, as the terms regarding each Managed Account Client are individually negotiated.

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

The Firm is an alternative asset manager focused on specialty finance investment opportunities. The investment objective for Clients is to seek long-term total returns. The Firm seeks to achieve this long-term objective by investing in specialty finance loan participations/private credit that could be used for, among other purposes, consumer loans, commercial loans, revolving lines of credit, purchased receivables, or other debt obligations (collectively the “**Loan Participations**”). The investment strategies that the Firm pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved. This Brochure does not supersede the offering documents of any Fund or the investment management agreement for a Managed Account.

### **Risk Factors**

**No Operating History.** The Firm is a recently-formed entity that has no operating history upon which prospective investors may evaluate the Firm’s future performance. Although Mr. Goodman has experience with investments of the type the Firm intends to make, any prior performance by Mr. Goodman is not necessarily indicative of results that he may achieve with respect to a Fund or any Managed Accounts. As such, there can be no assurances that the Firm will be able to implement its investment strategy or achieve its investment objectives.

**Investment Expenses.** The investment expenses (e.g., expenses related to the investment and custody of Client assets, such as brokerage commissions, custodial fees and other trading and investment charges and fees) as well as other Client fees may, in the aggregate, constitute a high percentage relative to other investment entities. Clients will bear these costs regardless of their profitability.

**Supervision of Investment and Trading Operations.** The Firm, with assistance from its counterparties, intends to supervise and monitor trading activity in Client accounts to ensure compliance with their objectives. Despite the Firm's efforts, however, there is a risk that unauthorized or otherwise inappropriate trading activity may occur in Client accounts.

**Risks Associated with Non-Diversification.** The Firm will concentrate holdings of Loan Participations in industries, geographic regions or companies which the Firm determines will provide the best opportunity for attractive risk-adjusted returns. The concentration of assets in a small number of issuers or borrowers, in any one industry, location, or a small number of industries, or in a single industry would subject Clients to a greater degree of risk with respect to the failure of one or a few investments or with respect to economic variations in relation to such industry or industries.

**Non-U.S. Investments.** The Firm may cause its Clients to invest in financial instruments of non-U.S. entities and governments. Investing in the financial instruments of entities (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. entities or the U.S. Government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, gross sale or disposition proceeds or other income, limitations on the removal of assets and general social, political and economic instability; the relatively 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; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Clients' investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning entities located outside of the U.S. than for those located in the U.S. As a result, Clients may be unable to structure their transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce Clients' rights in such markets.

**Risks Associated with Leverage.** Generally, the Firm does not use leverage. In the event that the Firm determines that leverage is appropriate in its investment program, the Firm may use borrowed funds and/or investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Firm purchases securities for a Client account with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of an account. If the interest expense on borrowings were to exceed the net return on the investments made with borrowed funds, the Firm's use of leverage would result in a lower rate of return than if an account was not leveraged.



If the amount of borrowings outstanding for a Client account at any one time is large in relation to such account's capital, fluctuations in the market value of the account will have disproportionately large effects in relation to the account's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of a Client account to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to a Client account, the net asset value of the account will generally decline faster than would otherwise be the case.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Clients should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

**Hedging Transactions.** Investments in financial instruments such as forward contracts, options, commodities and interest rate swaps, caps and floors, and other derivatives are commonly utilized to hedge against fluctuations in the relative values of portfolio positions as a result of changes in currency exchange rates, in interest rates and in the equity markets or sectors thereof. Any hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for a Client account to hedge against a fluctuation at a price sufficient to protect such Client's assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying instruments or assets. Accordingly, options on highly volatile instruments or assets may be more expensive than options on other instruments or assets and of limited utility in hedging against fluctuations in their prices.

The Firm is not obligated to establish hedges for account positions. To the extent that hedging transactions are effected, their success is dependent on Firm's ability to correctly predict movements in the direction of currency and interest rates and the equity markets or sectors thereof.

**Market or Interest Rate Risk.** The Firm may invest Client accounts, from time to time, in fixed income securities and instruments. The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the prices of fixed income securities fall. If a Client account holds a fixed income security to maturity, the change in its price before maturity may have little impact on such account's performance. However, if the account has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to such account.

**Liquidity Risk.** Liquidity is important to the Firm's business. Under certain market conditions, such as during volatile markets or when trading in an instrument or market is otherwise impaired, the liquidity of the Clients' portfolio positions may be reduced. During such times, Clients may be unable to dispose of certain assets, which would adversely affect a Client's ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force Clients to dispose of assets at reduced prices, thereby adversely affecting the Clients' performance. If there are other market participants seeking to dispose of similar assets at the same time, Clients may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if Clients incur substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In conjunction with a market downturn, Clients' counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Clients' credit

risk to them. Many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, liquidity may be reduced for the Clients' non-U.S. investments.

**Inflation Risk.** Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if a Client account purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, a Client account may be exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

**Risk of Default or Bankruptcy of Third Parties.** The Firm, on behalf of Client accounts, may engage in transactions in securities, commodities, financial instruments and other assets that involve counterparties. Under certain conditions, the Client account could suffer losses if a counterparty to a transaction were to default or if the market for certain securities, instruments and/or assets were to become illiquid. In addition, Clients could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Firm does business, or to which securities, instruments and/or assets have been entrusted for custodial purposes.

**Credit Risk.** The failure of a lessee to make lease payments or risk that the issuer of a security will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the value of the investment to decline. Counterparties with debt securities rated below investment-grade (or unrated) are especially susceptible to this risk. The Firm looks to source investments that can provide various credit and structural enhancements to attempt to mitigate credit exposure to any single company or asset class.

**Sector Risk.** The value of investments focused in a particular industry or market sector will be highly sensitive to financial, economic, political and other developments affecting that industry or market sector, and conditions that negatively impact that industry or market sector will have a greater impact as compared to an account that does not have its holdings similarly concentrated.

**Interest Rate Risk.** The value of fixed income securities usually rise and fall in response to changes in interest rates. Declining interest rates generally increase the value of existing instruments, and rising interest rates generally decrease the value of existing instruments. Changes in value usually will not affect the amount of interest income, but will affect the value of the investment. Interest rate risk is generally greater for investments with longer maturities. Certain fixed income securities pay interest at variable or floating rates. Variable rate securities reset at specified intervals, while floating rate securities reset whenever there is a change in a specified index rate. The market prices of these securities may fluctuate significantly when interest rates change.

**Structural Risk.** The impairment of the value of collateral or other assets underlying an asset-backed security, such as that resulting from non-payment of loans, may result in a reduction in the value of such security and losses. Early payoffs in the loans underlying such securities may result in receiving less income than originally anticipated.

**Residual Value.** The Firm cannot assure that its value assumptions will be accurate or that the equipment or other assets will not lose value more rapidly than anticipated. Residual values depend on numerous factor that are beyond the Firm's control, including: the desire of the lessee or end-user to keep the equipment; cost

of comparable equipment; condition of the equipment; development of new technologies making the equipment obsolete; and secondary market supply and demand.

**Investment Grade Debt Risks.** Although generally more creditworthy and less risky than non-investment grade securities, investment grade securities are still subject to market and credit risk. Market risk relates to changes in a security's value as a result of interest rate changes generally. Investment grade securities have varying levels of sensitivity to changes in interest rates and varying degrees of credit quality. In general, bond prices rise when interest rates fall, and fall when interest rates rise. Longer-term bonds and zero coupon bonds are generally more sensitive to interest rate changes. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of investment grade securities like those of other debt securities may be affected by changes in the credit rating or financial condition of an issuer. Investment grade securities are generally considered medium and high-quality securities. Some, however, may possess speculative characteristics, and may be more sensitive to economic changes and to changes in the financial condition of issuers. The market prices of investment grade securities in the lowest investment grade categories may fluctuate more than higher-quality securities and may decline significantly in periods of general or regional economic difficulty. Like non-investment grade securities, such investment grade securities in the lowest investment grade categories may be thinly traded, making them difficult to sell promptly at an acceptable price

**High Yield Debt Risks.** The Firm may invest, on behalf of its Clients, in securities rated below investment grade, such as those rated Ba or lower by Moody's and BB or lower by S&P or securities comparably rated by other rating agencies or in unrated securities determined by the Firm to be of comparable quality. The Firm may purchase securities rated as low as D or unrated securities deemed by the Firm to be of comparable quality. Lower grade securities, though high yielding, are characterized by high risk. They may be subject to certain risks with respect to the issuing entity and to greater market fluctuations than certain lower yielding, higher rated securities. The secondary market for lower grade securities may be less liquid than that of higher rated securities. Adverse conditions could make it difficult at times to sell certain securities or could result in lower prices. The prices of debt securities generally are inversely related to interest rate changes; however, the price volatility caused by fluctuating interest rates of securities also is inversely related to the coupon of such securities. Accordingly, lower grade securities may be relatively less sensitive to interest rate changes than higher quality securities of comparable maturity, because of their higher coupon. This higher coupon is what the investor receives in return for bearing greater credit risk. The higher credit risk associated with lower grade securities potentially can have a greater effect on the value of such securities than may be the case with higher quality issues of comparable maturity. Lower grade securities may be particularly susceptible to economic downturns.

**Limited Diversification.** Other than cash investments, the Firm will invest primarily in Loan Participations. Accordingly, Client portfolios will not be diversified beyond Loan Participations and cash investments. Therefore, the Client portfolios may be subject to more risk than would be the case if the Client maintained a wider diversification among types of loans, promissory notes or other debt obligations with greater variation in maturities.

**Limited Number of Loan Participations to Purchase.** Lending institutions could report greater demand for Loan Participations generated by lending institutions than there are qualified borrowers. Therefore, at times there could be a limited number of Loan Participations available for investment, which could impair the Firm's ability to invest its capital in Loan Participations. To the extent the Firm is unable to invest its capital in Loan Participations, such capital will be held in bank deposits or money market accounts that generate far lower rates of return than Loan Participations, which will depress the return to a Client.

**Dependence on Certain Lending Institutions.** The Firm does not have the infrastructure to source or service Loan Participations on its own, and is dependent on other lending institutions to source Loan Participations, conduct appropriate due diligence and service the Loan Participations. The Firm may be unable to fulfill its investment strategy if the lending institutions with which the Firm has relationships were to dissolve, liquidate, become bankrupt or otherwise cease operations or change their businesses and cease sourcing Loan Participations. Furthermore, the lending institutions do not have a legal obligation to allow the Firm to invest in Loan Participations.

**Prepayment and Reinvestment Risk.** A borrower prepays a loan when a borrower decides to pay some or all of the principal amount on a loan earlier than originally scheduled. Borrowers may decide to prepay all or a portion of the remaining principal amount at any time, and no interest will be earned on the loan after it is prepaid. However, some but not all loans might contain prepayment or guarantee fees which compensate a Client for the loss in interest income when the loan is prepaid. If a borrower prepays a portion of the remaining unpaid principal balance on a loan, the term of the loan will not change, but interest will cease to accrue on the prepaid portion. If many borrowers decide to prepay loans in which a Client is invested, the Client may not be able to find a similar rate of return on another investment, which could impair investment returns.

**Valuation.** In cases where a Client originates or purchases Loan Participations, the Firm will generally value those assets at the remaining principal balance for those Loan Participations performing according to their amortization schedule. The value of Loan Participations for which payments have deviated from their original amortization schedule will be re-valued, in the Firm's sole discretion, taking into account the significance of the deviation and the historical performance of Loan Participations with similarly situated borrowers. The valuation of these assets and liabilities is based on the Firm's policies and procedures (as revised from time to time). There is no reliable liquid market for the Loan Participations, so the valuations of a pool of Loan Participations are imprecise and subject to inherent conflicts of interest. The Firm's valuation of these assets affects the management fees and performance fees/allocation to which the Firm or its affiliate is entitled. If those valuations are inaccurate, any new investor and any withdrawing investor may be adversely affected and the Firm or its affiliate might receive management fees and performance fees/allocations that are greater than the fees and fees/allocations to which it otherwise would be entitled. The Firm or its affiliate may not be able to effectively manage a Client's investment portfolio, diversification and other internal guidelines and risks if the Client's portfolio is inaccurately valued. Any such inaccuracy could affect a Client adversely.

**Speculative Nature of Loan Participations.** The Loan Participations in which Clients may invest are risky and speculative investments. The Notes are often secured obligations of small business owners; however, there is no assurance that the collateral and any guarantees that secure the underlying loan on which the Loan Participations are based will be sufficient to obtain full payment of any Loan Participation in the event the borrower defaults. Accordingly, a Client may lose the entire amount of its investment in the Loan Participations in which it invests.

**Dependence on Payments on Borrower Loans.** Lending institutions only act as a servicer of the Loan Participations in which the Firm may invest on behalf of Clients, and do not have any obligation to pay the Loan Participations. Lending institutions will only forward or credit to payments on a Loan Participation after it receives that payment, net of its servicing fees and net of any collection fees and costs it incurs.

**False Information Supplied by Borrowers.** Borrowers supply a variety of information regarding the purpose of a loan, income, occupation, and employment status in the form of a standard loan application. Lending institutions report that they utilize various automated and manual methods to verify some of the

information included in the loan application, but this information may be inaccurate or intentionally false. A lending institution's borrowers may misrepresent their intentions for the use of loan proceeds from the underlying loan on which the Loan Participation is based. Lending institutions generally do not take steps to verify any statements by the lending institution's borrowers as to how loan proceeds are to be used. A lending institution's borrowers may supply inaccurate or intentionally false documents and statements in association with the loan application they submit to the lending institution, and the nature of the borrower's misrepresentations may be hard for the lending institution or the Firm to detect prior to a default by the borrower. The Firm does not generally take any steps to verify any loan information, and relies on the steps and processes taken by the lending institution. To the extent the Firm relies on false, misleading or unverified information supplied by borrowers in deciding to invest in Loan Participations, the Client may lose all or part of its investment.

**Technology Risk.** The Firm's investment strategy may rely on the use of proprietary and non-proprietary software, data and intellectual property. Any such reliance on this technology and data is subject to a number of important risks. First, Clients may be severely and adversely affected by the malfunction of the technology and/or data feed. For example, an unforeseeable software or hardware malfunction could occur, as a result of a virus or other outside force, or as result of a design flaw in the system or in its continued implementation. In the past, occurrences of this nature to other investment managers have sometimes resulted in dramatically negative consequences for such managers' clients. In addition, changes in the market for publicly available data or in regulatory reporting requirements could cause a severe diminution in the data available for the technology to operate as designed. Such events can also have dramatically negative consequences for Clients. Furthermore, if any of the software, hardware, data and/or other intellectual property is found to infringe on the rights of any third party, Clients could be severely and adversely affected.

**Cybersecurity Risks.** The Firm's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Firm has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Firm may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Firm's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to Clients (and the beneficial owners of the Clients). Such a failure could harm the Firm's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Additionally, any failure of the Firm's information, technology or security systems could have an adverse impact on its ability to manage Client accounts referred to herein.

**Epidemic Outbreak.** An epidemic outbreak and reactions to such an outbreak could cause uncertainty in markets and businesses, including the Firm's business, and may adversely affect the performance of the global economy, including causing market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. The Firm has policies and procedures to address known situations, but because a large epidemic may create significant market and business uncertainties and disruptions, not all events that could affect the Firm's business and/or the markets can be determined and addressed in advance.

The foregoing risk factors do not purport to be a complete list or explanation of the risks involved in an investment for Clients advised by the Firm. These risk factors include only those risks that the Firm believes

to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Firm.

## **Item 9. DISCIPLINARY INFORMATION**

There are no legal or disciplinary events in which the Firm or any supervised persons have been involved that are material to a Client's or prospective Client's evaluation of the Firm's advisory business or management. Mr. Goodman's prior employer, UBS Financial Services Inc. ("UBS"), is currently party to a pending FINRA arbitration matter, in which a client of UBS alleges unsuitability and misrepresentation regarding an options overlay strategy investment. Mr. Goodman was not mentioned in the complaint, denies the allegations, and intends, if necessary, to vigorously defend the matter. Further information may be found on the FINRA BrokerCheck website: [https://files.brokercheck.finra.org/individual/individual\\_1789359.pdf](https://files.brokercheck.finra.org/individual/individual_1789359.pdf)

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

- (A) The Firm and its management persons are neither registered, nor do they have any applications pending, with a broker-dealer or registered representative of a broker-dealer.
- (B) The Firm and its management persons are neither registered, nor do they have any applications pending, as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor, or as an associated person of the foregoing.
- (C) The Firm and/or its management persons have a relationship or arrangement that is material to its advisory business or to its clients with the related persons as discussed below.

- 1. Broker-dealer, municipal securities dealer, or government securities dealer or broker.

Not Applicable

- 2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund).

Not Applicable

- 3. Other investment adviser or financial planner.

Not Applicable

- 4. Futures commission merchant, commodity pool operator, or commodity trading advisor.

Not Applicable

- 5. Banking or thrift institution.

Not Applicable

6. Accountant or accounting firm.

Not Applicable

7. Lawyer or law firm.

Not Applicable

8. Insurance company or agency.

Not Applicable

9. Pension consultant.

Not Applicable

10. Real estate broker or dealer

Not Applicable

11. Sponsor or syndicator of limited partnerships.

Not Applicable

- (D) Does the Firm recommend or select other investment advisers for your clients and receive compensation from those advisers that creates a conflict of interest? Does the Firm have other business relationships with such advisers that create a conflict of interest? If so, describe all conflicts of interest and how the Firm will address them.

Not Applicable

**Item 11. CODE OF ETHICS. PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING POLICIES**

A copy of the code of ethics (“**Code of Ethics**”) is available upon request to Clients and prospective Clients.

- (A) The Code of Ethics is based upon the premise that all of the Firm’s personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service. The Code of Ethics requires all personnel to: (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of the Firm; (3) observe the Firm’s personal trading policies so as to avoid conflicts of interests between the Firm and its Clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by the Firm’s Chief Compliance Officer and that personnel who violate the Code of Ethics are subject to sanctions by the Firm, up to and including termination.

*Other Activities of the Firm and its Affiliates:* Neither the Firm, nor any affiliate or employee, is required to manage Client accounts as its sole and exclusive function. Each of them may engage in other business activities, including competing ventures and/or other unrelated employment. In addition to managing Client accounts, the Firm and its respective affiliates or employees may provide investment advice to other parties and may manage other accounts in the future.

*Trade Error Policy:* The Firm has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, the Firm will use reasonable efforts to correct the error. If the error cannot be corrected, the Firm will use reasonable efforts to make an adjustment in a manner it considers reasonable under the circumstances in its sole discretion, and which may result in no adjustment being made. The Firm will endeavor to maintain a record of each trade error, including information about the trade and how such error was corrected or attempted to be corrected.

*Privacy Policy:* The Firm has adopted a privacy policy that explains the manner in which the Firm collects, utilizes and maintains nonpublic personal information about Clients, as required under federal legislation, which can be found as Appendix A hereto.

- (B) *Participation or Interest in Client Transactions, and Personal Trading:* The Firm recognizes that the personal securities transactions of its employees demand the application of a high code of ethics, and the Firm requires that all such transactions be carried out in a way that does not endanger the interest of any Client. At the same time, the Firm believes that if investment goals are similar for Clients and for employees of the Firm, it is logical and even desirable that there be common ownership of some securities. Therefore, in order to address conflicts of interest, the Firm has adopted a set of procedures, included in its Code of Ethics, with respect to transactions effected by its officers, directors, partners, members and employees (hereafter in this Item 11, “**Employees**”) for their personal accounts. In order to monitor compliance with its personal trading policy, the Firm has adopted a quarterly securities transaction reporting system for all of its Employees. For purposes of the policy, an Employee’s “personal account” generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or (c) which the Employee controls, including the Firm’s Client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.
- (C) The Firm and/or its related persons may invest in the same securities (or related securities, e.g., warrants, options or futures) recommended to Clients. Please refer to Item 11.(B) above for additional information regarding the Firm’s practice in this respect, a discussion of the conflicts of interest this may present and generally how the Firm addresses such conflicts that may arise in connection with personal trading.
- (D) The Firm and/or its related persons may recommend securities to Clients, or buy or sell securities for Clients, at or about the same time as buying or selling the same securities for the Firm’s own (or the related person’s own) account. Please refer to Item 11.(B) above for additional information, including, a description of the Firm’s practice in this respect, and a



discussion of the conflicts of interest this may present and generally how the Firm addresses such conflicts that may arise.

## **Item 12. BROKERAGE PRACTICES**

The factors that the Firm considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation are described below:

- (A) **Factors Considered in Selecting or Recommending Broker-Dealers:** Securities transactions for Clients are executed through brokers selected by the Firm in its sole discretion and without the consent of Clients, unless, if specified in the applicable investment management agreement, a particular Client is authorized to instruct the Firm to execute some or all securities transactions for its account with or through one or more brokers designated by such Client (please see Item 12.(A)3.(b) below). In placing portfolio transactions, the Firm will seek to obtain best execution, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected and the efficiency of error resolution, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; special execution capabilities; clearance; settlement; reputation; on-line pricing; block trading and block positioning capabilities; willingness to execute related or unrelated difficult transactions in the future; order of call; on-line access to computerized data regarding Clients' accounts; performance measurement data; the quality, comprehensiveness and frequency of available research and related services considered to be of value; the availability of stocks to borrow for short trades; and the competitiveness of commission rates in comparison with other brokers satisfying the Firm's other selection criteria.
1. **"Soft Dollar" Policy:** The Firm engages primarily in a specialty finance investment strategy and soft dollars are not generally applicable in this strategy. If applicable, the Firm may enter into soft dollar agreements with any of the executing brokers under the safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934. The Firm does not separately compensate any broker for any services provided in connection with transactions executed for the Client.
  2. **Brokerage for Client Referrals:** The Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce Clients to the Firm, provided that any such fee or commission will be paid solely by the Firm or its affiliates and no portion thereof will be paid by Clients. As a result, the Firm may have an incentive to select or recommend a broker based on the Firm's interest in receiving Client referrals rather than on Clients' interest in receiving most favorable execution. Because such referrals, if any, are likely to benefit the Firm but will provide an insignificant (if any) benefit to Clients, the Firm will have a conflict of interest with Clients when allocating Client brokerage business to a broker who has referred a Client. The Firm will not allocate brokerage business to a referring broker unless the Firm determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value.

- (a) As the Firm is a newly formed entity, during the Firm's last fiscal year it did not direct Client transactions to a particular broker-dealer in return for Client referrals.

**3. Directed Brokerage:**

- (a) The Firm does not recommend, request, or require a Client to direct the Firm to execute transactions through a specified broker-dealer.
- (b) The Firm does not permit a Fund Client to direct the Firm to execute transactions through a specified broker-dealer. The Firm permits Managed Account Clients to direct the Firm to execute transactions through a specified broker-dealer. In such cases, the Firm may be unable to achieve most favorable execution of such Client transactions. Directed brokerage may cost such Clients more money. For example, in a directed brokerage account, the Client may pay higher brokerage commissions because the Firm may not be able to aggregate orders to reduce transaction costs, or the Client may receive less favorable prices.

- (B) **Aggregation of Orders:** Transactions implemented by the Firm for accounts may be effected independently or on an aggregated basis. The Firm anticipates that frequently it will decide to purchase or sell the same securities for several Clients at approximately the same time. The Firm will aggregate orders when it believes aggregation may prove advantageous to Clients. Typically, the process of aggregating Client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among Clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and execution cost and will be allocated among the Firm's Clients in proportion to the purchase and sale orders placed for each Client account on any given day. When the Firm aggregates Client orders for the purchase or sale of securities, including securities in which its associated person(s) may invest, the Firm will do so in a fair and equitable manner. It should be noted that the Firm does not receive any additional compensation or remuneration as a result of aggregation.

**Allocation of Trades:** The Firm may at times determine that certain securities will be suitable for acquisition by Clients and by other accounts managed by the Firm, possibly including the Firm's own accounts or accounts of an affiliate. If that occurs, and the Firm is not able to acquire the desired aggregate amount of such securities on terms and conditions which the Firm deems advisable, the Firm will endeavor in good faith to allocate the limited amount of such securities acquired among the various accounts for which the Firm considers them suitable. The Firm may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including but not limited to allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

### **Item 13. REVIEW OF ACCOUNTS**

The Firm and the Client will review the Client's account on a periodic basis to assure conformity with the investment objectives and guidelines.

Investors in a Fund shall receive monthly unaudited performance reports, annual Schedule K-1 reports, annual audited financial statements of the Fund audited by an independent certified public accounting firm, and other periodic reports or letters as determined by the Firm in its sole discretion.

Managed Accounts have full transparency, including with respect to the Firm's trading activity in such account. The Client reviews the Firm's trading activity on a regular basis and discusses such activity with the Firm as needed. As such, the Firm does not provide regular reports to the Client.

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

The Firm does not currently receive any monetary compensation or any other economic benefit from a non-client for the Firm's provision of investment advisory services to a Client. In addition, the Firm does not currently utilize any third party marketers or solicitors.

### **Item 15. CUSTODY**

The Firm does not have custody of the assets in Managed Accounts, but does have custody over assets in a Fund. The Firm is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule") and maintains Client funds and securities over which it has custody at a qualified custodian. However, the Firm is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to the Fund because it complies with the provisions of the "Pooled Vehicle Annual Audit Exception," which, among other things, requires that the Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that the Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

The Firm, a Fund's administrator, or a Managed Account custodian will send monthly account statements directly to Clients which Clients should carefully review. Clients are urged to compare statements that are received from a qualified custodian to statements received directly from the Firm.

### **Item 16. INVESTMENT DISCRETION**

The Firm intends to manage Client accounts on a non-discretionary basis and discretionary basis. Non-discretionary authority restricts the Firm from selecting the securities to be purchased or sold, including the amount, time, and price at which securities are to be purchased and sold, without first receiving authorization from the Client. The terms under which the Firm must operate with respect to a Client is agreed upon and memorialized in the investment management agreement and/or Fund offering documents.

## **Item 17. VOTING CLIENT SECURITIES**

The Firm is not responsible for voting Client proxies for Managed Accounts, unless otherwise agreed upon and memorialized in such Clients' investment management agreement with the Firm. Managed Account Clients will receive proxies directly from their account custodian, unless otherwise agreed upon and memorialized in such Clients' investment management agreement.

The Firm shall vote proxies for a Fund.

A record of proxy votes cast will be made and retained by the Firm. Clients can obtain information on how proxies were voted and a detailed description of the Firm's policies and procedures regarding proxy voting by requesting such information from the Chief Compliance Officer.

The Firm understands and appreciates the importance of proxy voting. To the extent that the Firm has discretion to vote the proxies of Clients, the Firm will vote any such proxies in the best interests of Clients using the procedures outlined below.

In evaluating how to vote a proxy, the Firm will first determine whether there is a conflict of interest related to the proxy in question between the Firm and its Clients. This examination will include (but will not be limited to) an evaluation of whether the Firm (or any affiliate of the Firm) has any relationship with the company (or an affiliate of the company) to which the proxy relates outside of an investment in such company by a Client. If a conflict is identified and deemed "material" by the Firm, the Firm will determine whether voting in accordance with these proxy voting guidelines is in the best interests of affected Clients (which may include utilizing an independent third party to vote such proxies). With respect to material conflicts, the Firm will determine whether it is appropriate to disclose the conflict to affected Clients and give Clients the opportunity to vote the proxies in question themselves, if applicable

## **Item 18. FINANCIAL INFORMATION**

The Firm does not require or solicit prepayment of more than \$1,200 in fees per Client six or more months in advance. The Firm has no financial condition to disclose that is reasonably likely to impair its ability to meet contractual commitments to its Clients. Additionally, the Firm has not been the subject of a bankruptcy petition during the past ten years.

## **Item 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS.**

Not Applicable.

## APPENDIX A

### **Privacy Policy**

The Firm has adopted a privacy policy that explains the manner in which the Firm collects, utilizes and maintains nonpublic personal information about clients, hereinafter referred to as (“Clients”), as required under federal legislation.

#### Collection of Information and Disclosure of Nonpublic Personal Information:

To provide Clients with effective service, the Adviser may collect several types of nonpublic personal information about Clients, including:

- Information from forms that Clients may fill out, such as subscription forms, questionnaires and other information provided by Clients in writing, in person, by telephone, electronically or by any other means. This information includes name, address, nationality, tax identification number and financial and investment qualifications;
- Information Clients may give orally;
- Information about transactions within the Firm, including account balances, investments and withdrawals;
- Information about the amount Clients have invested, such as initial investment and any additions to and withdrawals from an investment in the Clients; and
- Information about any bank accounts Clients may use for transfers to or from separately managed accounts (if applicable).
- Disclosure of Nonpublic Personal Information:

The Firm does not sell or rent Client information. The Firm uses this information to conduct business with its Clients: to develop or enhance its products and services; to understand the financial needs of its Clients so that the Firm can provide such Clients with quality products and superior service; and to protect and administer its Clients’ records, accounts and funds. The Firm does not disclose nonpublic personal information about its Clients to nonaffiliated third parties or to affiliated entities, except as permitted or required by law. For example, the Firm may share nonpublic personal information in the following situations:

- To service providers in connection with the administration and servicing of the Firm; this may include attorneys, accountants, auditors and other professionals. The Firm may also share information in connection with the servicing or processing of Client transactions;

- To affiliated companies in order to provide Clients with ongoing personal advice and assistance with respect to the products and services Clients have purchased through the Firm and to introduce Clients to other products and services that may be of value to such Clients;
- To respond to a subpoena or court order, judicial process or regulatory authorities;
- To protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and
- Upon consent of a Client to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the Client.

#### Protection of Client Information:

The Firm's policy is to require that all employees, financial professionals and companies providing services on its behalf keep Client information confidential.

The Firm maintains safeguards that comply with federal standards to protect Client information. The Firm restricts access to the personal and account information of Clients to those employees who need to know that information in the course of their job responsibilities. Third parties with whom the Firm shares Client information must agree to follow appropriate standards of security and confidentiality.

The Firm's privacy policy applies to both current and former Clients. The Firm may disclose nonpublic personal information about a former Client to the same extent as for a current Client.

#### *Changes to Privacy Policy:*

The Firm may make changes to its privacy policy in the future. The Firm will not make any change affecting any Client without first sending to that Client a revised privacy policy describing the change.