

**Firm Brochure  
(Part 2A of Form ADV)**

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This brochure provides you with information about the qualifications, business practices and nature of advisory services of LW Capital Management, LLC, all of which should be considered before becoming an advisory client of our Firm. Please contact Matthew Sweeney, Managing Member, if you have any questions about this narrative brochure.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), or by any state securities authority.

We are registered as an investment adviser with the SEC. Registration does not imply a certain level of skill or training. Additional information about our Firm is available on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number known as a CRD number. Our Firm's CRD number is 313151.

December 1, 2021

## **Item 2      Material Changes**

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This version of Part 2A of Form ADV (“Firm Brochure”) and Part 2B of Form ADV (“Supplement Brochure”), dated December 1, 2021, has been prepared by LW Capital Management, LLC and is our initial brochure document prepared in accordance to the SEC’s requirements and rules, which mandate that advisers provide a Firm Brochure in narrative “plain English” format. As you will see, this document is narrative format. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Firm Brochures within 120 days of the close of our business’ fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

### **Material Changes since the Last Update**

This section of the Brochure will be updated during our annual update of our Brochure and will reflect any material changes that occurred since the last annual update of our Brochure

Since this is our initial Brochure there have been no material changes since our previous Brochure.

### **Full Brochure Available**

We will provide you with a new version of the Brochure as necessary based on changes or new information at any time, without charge. Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at 917-306-0461 or by email at: [msweeney@laughingwatercapital.com](mailto:msweeney@laughingwatercapital.com).

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## **Item 4      Advisory Business**

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### **A. FIRM DESCRIPTION**

LW Capital Management, LLC (“LW” or the “Firm”) is organized as a New York limited liability company that was founded in December 2015. LW’s current business activities consist of providing investment advisory services to two pooled investment vehicles, as well as offering portfolio management and investment advisory services to individuals through separately managed accounts (SMA). The two private Funds and the managed account clients are referred to herein each as a “Client” and collectively, the “Clients.”

**Principal Owners:** Matthew Sweeney is the Managing Member and the principal owner of the Firm, who holds 100% ownership interest in the Firm.

### **B. TYPES OF ADVISORY SERVICES**

LW is an advisor to the funds and SMAs, and specializes in managing a long-biased concentrated portfolio of public equity securities. The portfolio is generally less than 20 securities, and generally focused on domestic small cap equities, although the mandate permits investments in larger securities and international securities.

**This document is not an offer to sell or a solicitation of an offer to buy Interests in the Funds.** Such an investment may be made only after receipt and review of the Fund’s Confidential Private Placement Memorandum (the “Memorandum”). The Memorandum contains important information concerning risk factors and other material aspects of the Fund and it must be read carefully before making an investment decision.

### **C. TAILORED RELATIONSHIPS**

LW provides investment advisory services to the Funds and SMAs based on the investment objectives as described herein. LW does not provide tailored investment advice to the Fund’s Limited Partners or any of its managed account Clients.

### **D. WRAP FEE PROGRAMS**

Wrap Fee Programs are arrangements between broker-dealers, investment advisers, banks and other financial institutions and affiliated and unaffiliated investment advisers through which the clients of such firms receive discretionary investment advisory, execution, clearing and custodial services in a “bundled” form. In exchange for these “bundled” services, the clients pay an all-inclusive (or “wrap”) fee determined as a percentage of the assets held in the wrap account.

LW does not participate in and is not a sponsor of wrap fee programs.

### **E. ASSETS UNDER MANAGEMENT**

As of December 1, 2021, LW managed approximately \$ 45,578,081 on a discretionary basis.

## **Item 5 Fees and Compensation**

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### **A. ADVISORY FEES AND BILLING**

LW's compensation from Clients may take the form of (1) a fee based on a percentage of the Client's assets under management (the "Management Fee") and/or (2) a performance or incentive based fee (the "Performance Fee").

#### **1. The Funds**

The funds have two classes of ownership. Class A has a 1.125% management fee collected monthly in advance, and a 15% incentive fee over a 6% hard hurdle. Class B has a 1.25% management fee collected monthly in advance, a 20% incentive fee over a 6% hard hurdle.

Please refer to *Item 6* for more information regarding performance-based compensation.

LW deducts its fees automatically from each Limited Partner's capital account balance pursuant to the fee structure agreed upon between the Limited Partner and the Fund.

The management fee and the Performance Fee with respect to any Partner may be waived or altered by LW.

#### **2. Managed Accounts**

The payment of fees for accounts managed will be debited from the Client's account and are paid by the qualified custodian holding the Client's funds and securities. The Client will provide written authorization permitting the fees to be paid directly from the account.

##### **a) Fees Paid By Qualified Clients**

Qualified Clients will pay LW a monthly or quarterly management fee, determined in agreement with the client, of up to 1/12<sup>th</sup> of 1.25% (1.25% per annum), payable in advance, on the last business day of each calendar month or calendar quarter based on the closing net asset value of the account for such month. Net Asset Value includes all cash and all other assets of the account (valued at liquidation value) under management after taking into account all brokerage commissions and fees, and other expenses of the account.

##### **b) Performance Fees Paid By Qualified Clients**

LW shall receive a performance fee (the "Performance Fee") in an amount equal to twenty percent (20%) of the New Net Profits are accrued in the account during each calendar month and earned by LW at year-end. New Net Profits are computed using the formula: (1) the net realized profit and loss over the year, plus (2) the change in unrealized profit and loss on open positions over the year, minus (a) all brokerage commissions, transaction fees, and other charges incurred over the year and (b) cumulative net loss, if any, carried over from previous year. The carryover of previous loss creates a "high water mark" effect such that the Performance Fee is paid only on the cumulative increases in the net gains of the account.

It should be noted that the full loss is not carried over to the next year in an instance where there has been a partial withdrawal of funds. In such a case, the portion of the loss attributable to the withdrawn amount is first subtracted from the carryover loss. For example, if funds representing 10% of the account's value are withdrawn, then 10% is subtracted from the carryover loss. If the account does not generate New Net Profits in a given month no Performance Fee will be due to LW unless the account experiences New Net Profits in a subsequent year. The amount of the Performance Fee due to LW, if any, will be determined independently with respect to each year in that a fee once paid will never be returned. However, no further fee will be payable until any carry-forward loss has been recovered.

## **B. OTHER FEES AND EXPENSES**

### **1. The Fund**

The Fund shall pay for all ordinary operating and other expenses, including, but not limited to, investment-related expenses (such as brokerage commissions, clearing and settlement charges, custodial fees, interest expenses, expenses relating to consultants, brokers or other professionals or advisors who provide research, advice or due diligence services with regard to investments, appraisal fees and expenses and investment banking expenses); research costs and expenses (including fees for news, quotation, financial data services, and similar information and pricing services); legal expenses (including, without limitation, the costs of on-going legal advice and services, blue sky filings and extraordinary legal expenses); accounting fees and audit expenses; administrative fees; tax preparation expenses and any applicable tax liabilities (including transfer taxes and withholding taxes); other governmental charges or fees payable by the Fund; director and officer and/or errors and omissions liability insurance premiums or fiduciary liability insurance premiums for directors, officers and personnel of LW; costs of printing and mailing reports and notices; and other similar expenses related to the Fund, as LW determines in its sole discretion. To the extent that expenses are borne by a Fund are paid by LW, the Fund will reimburse LW for such expenses.

There may be additional fees or charges that result from the maintenance of a Limited Partner's participation including, but not limited to, fees associated with purchasing interests via an IRA and Qualified Retirement Plan. Other fees are generally deducted from the capital account of each Limited Partner.

### **2. Managed Accounts**

In addition to our management fees, Clients with managed accounts are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including but not limited to, any transaction charges imposed by the broker-dealer with which we effect transactions for our Client accounts. Please see Item 12 for information about *Brokerage Practices*.

There may be additional fees or charges that result from the maintenance of our trading within your account. These fees, if applicable, would be imposed as is customary by third parties in connection with investments made through the Client's account, including but not limited to, no-load mutual fund 12(b)-1 distribution fees, fees assessed for frequent or

excessive trading of mutual fund shares, certain deferred sales charges on previously purchased C Class shares of a mutual fund, and IRA and Qualified Retirement Plan administrative fees. All fees paid to the Firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders (our Clients). Those fees are described in detail in each mutual fund's prospectus. These fees will generally include a management fee, other funds expenses, and a possible distribution fee. If the mutual fund also imposes sales charges on certain share classes, a Client may pay an initial or deferred sales charge. Accordingly, Clients should review both the fees charged by the mutual funds and the management fees charged by LW to appreciate fully the total amount of fees to be paid by the Client.

#### **C. REFUND/WITHDRAWAL POLICY**

##### **1. The Fund**

Limited Partners will generally be permitted to make withdrawals of capital, provided the withdrawing investor notifies LW not less than ninety (90) days in advance of the applicable withdrawal date of its intent to make a withdrawal. Class A share Investor withdrawals are subject to a five (5) year lock-up period and Class B share Investors are subject to a three (3) year lock-up period. Both Class A & Class B lock-up periods may be waived if Investor pays LW a 3% break fee.

##### **2. Managed Accounts**

Client may terminate the Agreement for any reason whatsoever without penalty by providing ninety (90) days prior written notice.

#### **D. OTHER COMPENSATION**

LW currently does not receive any compensation other than the Performance Fee and Management Fee.

### **Item 6      Performance-Based Fees & Side-by-Side Management**

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Performance-based fees are based on a share of the capital gains or capital appreciation of the assets of a Client. Fees based on performance means LW participates directly in the account's results. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the Client.

As noted in *Item 5*, LW will receive a performance-based fee based on a percentage of any net realized and unrealized profits.

Performance Fees may create an incentive for LW to make investments that are riskier or more speculative than would be the case in the absence of such incentive compensation arrangements. In addition, LW's performance allocations will be based on unrealized as well as realized gains except with respect to Side Pocket Investments. There can be no assurance that such unrealized gains will, in fact, ever be recognized. Furthermore, the valuation of unrealized gain and loss may be subject to material subsequent revision.

LW conducts side-by-side management of pooled investment vehicles and managed accounts. LW may provide investment advisory services for Clients with varying fee structures, including performance fees. The accounts managed by LW are generally charged a management fee and in some cases performance fees similar to those applicable to the Fund. The difference in fees structures may provide an incentive to LW to allocate more favorable trades to the higher-paying account and/or those with performance fees. For a number of reasons, including compensation variations and allocation of trades, managing side-by-side products may present LW with potential conflicts of interest. The conflicts may include the incentive to give preferentiality to performance-based fee transactions over other accounts or intentionally allocating trades to increase value of assets thereby generating higher advisory compensation. To mitigate this conflict of interest, LW has developed policies and procedures prohibiting allocation of trades based on favorable or unfavorable market fluctuations. LW's Compliance Officer will review transactions periodically to prevent and detect preferential trade allocation.

## **Item 7      Types of Clients**

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### **A. Types of Clients**

LW generally provides discretionary investment advisory services to Individuals and Pooled Investment Vehicles (the "Funds").

Interests in the Funds are being offered under the 3(c)(1) and 3(c)(7) exemptions, respectively, of the Investment Company Act. The Interests will not be registered under the Securities Act or the securities laws of any state. An investment in the Funds will be suitable only for investors who have adequate means of providing for current needs and personal contingencies, can bear the economic risk of the investment, and have no need for liquidity in the investment. Investors will be required to make representations to the foregoing effect to the Fund as a condition to acceptance of their subscription.

### **B. Conditions for Account Management**

**The Fund:** The minimum initial capital contribution for Class A is \$1,000,000 and for Class B \$250,000. LW reserves the right to reduce the minimum initial capital contribution and to accept subscriptions for lesser amounts.



**Managed Accounts:** LW generally requires a minimum initial investment of \$ 25 million for a managed account. The minimum initial investment is negotiable.

## **Item 8      Methods of Analysis, Investment Strategies and Risk of Loss**

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### **A. METHODS OF ANALYSIS**

LW employs several proprietary methods and indicators, including fundamental analysis and/or technical analysis techniques, to achieve the investment objectives and goals of the Funds and managed account Clients.

*Fundamental analysis* involves analyzing its financial statements and health, its management and competitive advantages, and its competitors and markets. Fundamental analysis is performed on historical and present data but with the goal of making financial forecasts. There are several possible objectives: to conduct a company stock valuation and predict its probable price evolution; to make a projection on its business performance; to evaluate its management and make internal business decisions; and to calculate its credit risk. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating stock.

### **B. INVESTMENT STRATEGIES**

LW pursues rigorous bottom up, fundamental analysis focused on identifying mis-priced securities. Investments in the funds and managed accounts are primarily focused on small cap domestic equities.

### C. Material Risks of Methods of Analysis and Investment Strategies

Every method of analysis has its own inherent risks. To perform an accurate market analysis LW must have access to current/new market information. LW has no control over the dissemination rate of market information; therefore, unbeknownst to LW, certain analyses may be compiled with outdated market information, severely limiting the value of LW's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by LW) will be profitable or equal any specific performance level(s). LW does not represent, warrant, or imply that the services or methods of analysis employed by LW can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.
- *Inflation Risk:* When any type of inflation is present, a dollar will be worth more today than a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Notwithstanding the method of analysis or investment strategy employed by our Firm, the assets within your portfolio are subject to risk of devaluation or loss. LW wants you to be aware that there are many different events that can affect the value of your assets or portfolio including, but not limited to, changes in financial status of companies, market fluctuations, changes in exchange rates, trading suspensions and delays, economic reports, and natural disasters.

## **Item 9      Disciplinary Information**

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The Firm is required to disclose whether there are legal or disciplinary events that are material to a Client's or prospective Client's evaluation of our advisory business or the integrity of our management. LW and its employees have not been involved in legal or disciplinary events related to past or present investment Clients.

## **Item 10      Other Financial Industry Activities and Affiliations**

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### **A. FINANCIAL INDUSTRY ACTIVITIES**

LW is not a registered broker-dealer and does not have an application pending to register as a broker-dealer. Furthermore, none of LW's management or supervised persons is registered as representatives of, or has an application pending to register as representatives of a broker-dealer.

### **B. FINANCIAL INDUSTRY AFFILIATIONS**

LW is not a registered, Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor and does not have an application pending to register as such. Furthermore, none of LW's management or supervised persons is registered as, or has applications pending to register as an associated person of the foregoing entities.

### **C. OTHER MATERIAL RELATIONSHIPS**

As noted above, LW also serves as the general partner to the Funds in addition to serving as the Fund's investment adviser. As general partner to the Funds, LW is responsible for the management of the Funds. LW's Managing Member, Matthew Sweeney, is also an investor in the Funds. LW and its affiliates (including the Principal and officers and family members) have made an investment in the Funds. Fund Interests held by LW and its affiliates will not be subject to the performance allocation fee, but will share pro rata in all other expenses and liabilities of the Funds. As noted in *Item 5* and *Item 6*, LW earns a performance allocation fee on the private investment funds. This creates a material conflict of interest; such conflicts are addressed in *Item 11B*. Further, these and other pertinent conflicts of interest are disclosed in detail in the Fund memorandum.

LW does not have any other arrangements that are material to its advisory or its Clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships other than those already disclosed herein.

### **D. OTHER INVESTMENT ADVISERS**

LW does not have any arrangements that are material to its advisory or its clients with other investment advisers.

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

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### **A. CODE OF ETHICS**

All employees of LW must act in an ethical and professional manner. In view of the foregoing and applicable provisions of relevant law, LW has determined to adopt a Code of Ethics to specify and prohibit certain types of transactions deemed to create conflicts of interest (or at least the potential for or the appearance of such a conflict), and to establish reporting requirements and enforcement procedures relating to personal trading by LW personnel. LW's Code of Ethics, which specifically deals with professional standards, insider trading, personal trading, gifts and entertainment, and fiduciary duties, establishes ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics to any Client or prospective Client upon request.

### **B. PARTICIPATION OF INTEREST IN CLIENT TRANSACTIONS**

LW solicits potential limited partners to purchase interests in Funds. LW is also the general partner of the Fund. LW's Managing Member, Matthew Sweeney, is also an investor in the Fund. LW and its affiliates (including the Principal and officers and family members) have made an initial investment in the Funds of not less than \$1,000,000. Fund Interests held by LW and its affiliates will not be subject to the performance allocation fee, but will share pro rata in all other expenses and liabilities of the Fund.

LW may recommend to its managed account Clients or prospective Clients the purchase or sale of interests in the Fund. LW earns both a Management Fee and a Performance Fee from the Fund, and may earn a Management Fee or a Performance Fee from managed account services. We will provide notification to Clients advising of such conflicts of interest.

LW and its employee(s)/related persons have a fiduciary duty to place the interests of its Clients ahead of their own interests. As noted, LW does advise potential limited partners to purchase interests in the Fund. LW and its employees/related persons will not be precluded from engaging directly or indirectly in any other business or other activity, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing with securities and other investments for their own accounts, for the accounts of family members, for the accounts of other funds and for the accounts of individual and institutional Clients (collectively, "Other Accounts"). LW will attempt to allocate investment opportunities that come to its attention on a fair and equitable basis among the Fund and the Other Accounts for which participation in the respective opportunity is considered appropriate *pro rata* in proportion to the relative net worth of each such account. Records of all securities transactions by LW and related persons will be maintained in the Firm's office and are available for inspection by all

Clients and all limited partners of the Fund. These and other pertinent conflicts of interest are disclosed in the Fund memorandum.

### **C. PROPRIETARY /SIMULTANEOUS TRADING**

At times, LW and/or its supervised persons may buy or sell securities for their own accounts that we have also recommended to our Clients. This presents a conflict of interest. In any instance where similar securities are being bought or sold, we will uphold our fiduciary duty by always transacting on behalf of our Client before transacting for our own benefit. It is the policy of LW that supervised persons must avoid security transactions and activities for their own accounts that might conflict with or be detrimental to the interest of the Client. To the extent supervised persons are aware of trades in individual issues being considered, recommended, or traded for the Client account, the supervised persons will make every effort to trade in their own accounts after trades are executed for the Client. To mitigate or remedy any conflicts of interest or perceived conflicts of interest, we will monitor our proprietary and personal trading reports for adherence to our Code of Ethics. LW will always document any transactions that present conflicts of interest. In any instance where similar securities are being bought or sold, we will uphold our fiduciary duty by always transacting on behalf of our Client before transacting for our own benefit.

## **Item 12 Brokerage Practices**

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### **A. SELECTION AND RECOMMENDATION**

LW will have complete discretion regarding the selection of brokers for the Fund and managed accounts. The selection of brokers and the amount of brokerage commissions and fees paid to such brokers, and this determination will be based upon three factors: (1) a broker's ability to execute the types of transactions occurring in Client accounts; (2) the net prices for such transactions; and (3) trading ideas generated by brokers. "Best execution" is not synonymous with lowest brokerage commission. Consequently, LW may pay a brokerage commission in excess of that which another broker might have charged for executing the same transaction for other investment funds similar to the Funds. However, LW has determined that the research, execution and other services rendered by a particular broker merit greater than typical fees.

LW has retained JonesTrading ("JonesTrading"), member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corp. ("SIPC") to provide prime brokerage services to the Fund and to managed account Clients. LW may also retain alternative brokers to provide brokerage services to managed account Clients. LW will determine the broker for the managed account Clients in its sole discretion.

### **B. SOFT DOLLAR BENEFITS**

LW may generate "soft dollars" with respect to the Fund's and managed account Clients' trades; if it does so, LW intends to comply with the safe harbor of Section 28(e) of the

brokerage firms would provide or pay the costs of certain services, equipment or other items for the benefit of the Funds and managed account Clients, LW, or one or more of their affiliates in consideration of the allocation to the firm of brokerage transactions (with resulting commission income) made on behalf of the Funds and managed account Clients on both an agency and net basis. Services that may be furnished or paid for by brokers or dealers may include, without limitation (in addition to the research products and services described below) special execution capabilities, clearance, settlement, net pricing, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, performance measurement data, consultations, financial strength and stability, efficiency of execution and error resolution, availability of stocks to borrow for short sales, custody, recordkeeping and similar services. Although these soft dollar arrangements may benefit the Fund, managed account Clients, and LW by reducing their respective expenses, the amount of the fees payable to LW will not be reduced.

Because such services could be considered to benefit LW and its affiliates, and the “soft dollars” used to acquire them are the assets of the Funds and managed account Clients, LW could be considered to have a conflict of interest in allocating brokerage business on behalf of the Funds and managed account Clients. Nonetheless, LW believes that to the extent it makes allocations to brokerage business with soft dollar arrangements, this would generally enhance the ability to obtain research, optimal benefits on behalf of the Funds. The Funds and managed account Clients will necessarily benefit from all such soft dollar services. LW may also derive substantial benefits from these services, particularly to the extent that LW uses soft dollars to pay for expenses it would otherwise be required to pay itself. Furthermore, because the extent of the products and services provided by these brokers will be based largely on the volume of commissions generated by the Funds and managed account Clients’ trading activities, these soft dollar arrangements may create an incentive for LW to increase the volume of the Funds and managed account Clients’ trading activities.

LW has not received research or other products or services other than execution from a broker-dealer or a third party in connection with the Fund and managed account Clients’ securities transactions. It has not generated “soft dollars” benefits as of the date of this Brochure.

#### **C. BROKERAGE FOR CLIENT REFERRALS**

LW currently does not receive Client referrals from third parties for recommending the use of specific broker-dealer brokerage services. LW has not utilized any particular procedures during the last fiscal year to direct Client transactions to a particular broker in return for products and research services received. Accordingly, in such instance, LW will amend its Form ADV and Form ADV Part 2A as required.

#### **D. DIRECTED BROKERAGE**

LW recommends that Clients utilize specific broker-dealers to execute transactions. This arrangement is designed to maximize efficiency and to be cost effective for our Clients. By

requiring Clients to use our specific custodians which LW has approved, we seek to achieve most favorable execution of Client transactions.

### **1. The Funds**

LW may also direct brokerage from Funds trades to broker-dealers which introduce Limited Partners to the Funds, subject to applicable laws. Due to the structure of pooled investment vehicles, directed brokerage arrangements by Clients are not applicable to nor affect the investment management policies of LW.

### **2. Managed Accounts**

LW will generally recommend to Clients the use of certain broker-dealers or custodians and does not permit Clients to direct the use of a particular brokerage firm. LW does not permit Clients to direct the use of a particular brokerage firm. When a Client directs brokerage, LW cannot negotiate commission rates, and as a result of such directed brokerage, Clients may pay higher brokerage commissions than might otherwise be paid if LW were granted discretion to select a broker to handle the account. In addition, Clients might lose the benefits of potentially better executions available through bunched transactions of the recommended broker-dealer custodian. In addition, Clients will lose the benefit of potentially better executions available through aggregation of transactions by the recommended broker-dealer or custodian.

## **E. ORDER AGGREGATION**

LW may, at times, aggregate sale and purchase orders of securities for the Funds with similar orders for the other accounts in order to obtain the best pricing averages and minimize trading costs for the Funds. This practice is reasonably likely to result in administrative convenience or an overall economic benefit to the Funds based on an evaluation that the Funds is benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions or a combination of these and other factors. Our policies and procedures mandate aggregating multiple orders and aggregate orders will be allocated to accounts in a systematic non-preferential manner.

## **Item 13      Review of Accounts**

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### **A. PERIODIC REVIEWS**

LW reviews the Fund's and managed accounts' investment programs, including current holdings, on an on-going basis. The Firm reviews the Fund's investment program to analyze rates of return, allocation of assets and to verify that the Fund's portfolio is consistent with its investment objective.

### **1. The Fund**

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or by changes in the Fund's objectives. Such reviews are conducted by Matthew Sweeney, Managing Member.



## **2. Managed Accounts**

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or by changes in your financial status (such as retirement, termination of employment, relocation, or inheritance).

Clients are advised to notify LW promptly if there are any material changes in their financial situation, investment objectives, or time horizon for their investment.

### **B. INTERMITTENT REVIEW FACTORS**

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or by changes in the Fund's objectives.

### **C. CLIENT REPORTS**

#### **1. The Fund**

The Fund Administrator, Yulish & Associates will provide every Limited Partner in the Funds, on a quarterly basis, with unaudited performance reports reviewing the Fund's investment activities, beginning balances, and quarterly performance. The Fund's books of account will be audited at the end of each fiscal year, in the sole discretion of LW, by a firm of certified public accountants selected by LW. Books of account will generally be kept by the Fund, in accordance with GAAP. Audited financial statements are provided to Limited Partners, additionally all Limited Partners will receive the information necessary to prepare federal tax returns annually, within 120 days following the conclusion of the Fund's annual audit.

#### **2. Managed Accounts**

Clients will receive a report periodically from the custodian, Goldman Sachs, detailing account performance and account holdings. In most cases, Clients will also have online access to view their account at any time.

## **Item 14 Client Referrals and Other Compensation**

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### **A. ECONOMIC BENEFITS FROM OTHERS**

The Firm and its related persons do not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to its Clients.

### **B. COMPENSATION TO UNAFFILIATED THIRD PARTIES**

The Firm may compensate other persons or firms directly or indirectly for Client referrals. Currently McCoy & Associates acts as third-party marketer for Laughing Water Capital II, LP.

## **Item 15 Custody**

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### **A. CUSTODIAN OF ASSETS**

Custody means holding, directly or indirectly, Client funds or securities, or having any authority to obtain possession of them.

#### **1. The Fund**

LW does not have physical custody of any Client funds or securities. LW has custody of Fund's portfolio assets because it has the ability to deduct advisory fees payable to it and it has a general power of attorney over the Fund's account. Additionally, as the general partner of the Funds, LW has custody of Fund's portfolio assets (funds and securities).

The physical assets of each Fund, however, are held at the Fund's qualified custodian.

LW uses Goldman Sachs ("Goldman Sachs"), a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corp. ("SIPC") to provide custodian services to the Funds. The physical assets of the Funds are held in an account with by Goldman Sachs the qualified custodian of the Fund's portfolio assets.

#### **2. Managed Accounts**

With regard to individual managed accounts managed, LW does not have physical custody of any Client funds or securities. LW does not have physical possession of Client funds or securities. LW has custody by virtue of its ability to deduct advisory fees payable to it. Payment of fees is paid by the custodian from the custodian brokerage account that holds Client funds and securities pursuant to the Client's account application. Such custodian is Goldman Sachs or other custodians as LW may determine in its sole discretion. In certain jurisdictions, this may be deemed custody. Please refer to *Item 12* for our information regarding our Brokerage Practices.

## **B. ACCOUNT STATEMENTS**

### **1. The Funds**

The Fund Administrator, Yulish & Associates, will deliver reports to Clients on a quarterly basis. When you receive these statements, please review them carefully. Please compare asset values, holdings, and fees on your statement to that in the account statement issued the previous quarter. With regard to these reports, LW is not required to provide information about specific investment transactions of the Fund. On a quarterly basis, Limited Partners will receive unaudited performance reports and other pertinent information regarding the Fund's performance from the Fund's Administrator, Yulish & Associates. The Limited Partners will not receive individual quarterly reports or statements from JonesTrading.

Additionally, the Funds are subject to an annual audit by an independent public accountant. The audited financial statements are distributed to Limited Partners within 120 days of the end of the Fund's fiscal year.

### **2. Managed Accounts**

Although we are your adviser, your statements will be mailed or made available electronically by your custodian. When you receive these statements, please review them carefully. Please compare asset values, holdings, and fees on your statement to that in the account statement issued the previous quarter.

## **Item 16 Investment Discretion**

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### **1. The Funds**

LW is not limited in its authority to purchase securities for the Funds. LW has full discretion and authority to make all investment decisions with respect to the types of securities to be bought or sold or the amount of securities to be bought or sold for the Fund. Limited Partners in the Funds provide this discretionary authority to LW through the execution of the Fund's limited partnership agreement.

### **2. Managed Accounts**

It is LW's customary procedure to have full discretionary authority in order to supervise and direct the investments of your accounts. You grant this authority upon execution of our Investment Management Agreement. This authority is for the purpose of making and implementing investment decisions, without your prior consultation. All investment decisions are made in accordance with your stated investment objectives. Our discretionary authority does not give authority to take or have possession of any assets in your account or to direct delivery of any securities or payment of any funds held in the account to our Firm. Furthermore, our authority by agreement does not allow us to direct the disposition of such securities or funds to anyone except you-the account owner. Our discretionary authority does not give authority to take or have possession of any assets in your account or to direct delivery of any securities or payment of any funds held in the

account to our firm. Furthermore, our authority by agreement does not allow us to direct the disposition of such securities or funds to anyone except the account owner.

## **Item 17      Voting Client Securities**

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Fiduciary obligations of prudence and loyalty require an investment adviser with proxy voting responsibility to vote proxies on issues that affect the value of the Client's investment. Proxy voting decisions must be made solely in the best interests of the Client's account. In voting proxies, our Firm is required to consider those factors that may affect the value of the Client's investment and may not subordinate the interests of the Client to unrelated objectives.

### **1. The Funds**

LW will exercise all rights, powers and privileges of ownership in all Fund property, including the right to vote, give assent, execute, and deliver proxies, and the Fund's proxy voting policies override the undersigned's proxy voting policies. Fund investors are required to adopt the voting policies of the Funds for purposes of their investments in the Funds. LW has adopted proxy voting policies and procedures for voting proxies on behalf of the Funds. Clients may obtain a copy of our proxy voting policy upon request. Clients may also request a copy of historical voting.

Should a material conflict arise between our Firm's interest and that of our Clients, our Firm will vote the proxies in accordance with our fiduciary duty to our Clients. A written record will be maintained describing the conflict of interest, and an explanation of how the vote taken was in the Client's best interest. LW may refrain from voting a proxy if the cost of voting the proxy exceeds the expected benefit to the Client.

### **2. Managed Accounts**

Clients retain the right to vote all proxies which are solicited for securities held in their accounts. LW will not take nor be required to take any action or render any advice with respect to the voting of proxies solicited by or with respect to the issuers of securities in which assets of the Client's account may be invested in occasionally. Furthermore, LW will not take any action or render any advice with respect to any securities held in any Client's accounts that are named in or subject to class action lawsuits. LW will however, forward to you any information received by our Firm regarding class action legal matters involving any security held in your account.

## **Item 18      Financial Information**

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### **A. BALANCE SHEET REQUIREMENT**

A balance sheet is not required to be attached because LW is not the qualified custodian for Client funds or securities, and does not require prepayment of fees of more than \$500 per Client, six (6) months or more in advance.

**B. FINANCIAL CONDITION**

LW does not have any financial impairment that will preclude it from meeting contractual commitments to Clients.

**C. BANKRUPTCY PETITION**

LW has not been the subject of a bankruptcy petition at any time during the last 10 years.

## **Privacy Policy**

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LW does not disclose nonpublic personal information about its clients or former clients to any persons other than as described below. LW collects information about its clients (such a name, address, social security number, assets and income) from discussions with clients, from documents that clients may deliver to LW (such as account applications) and in the course of providing services. In order to service its client accounts and effect client transactions, LW may provide client personal information to its affiliates and to firms that assist it in servicing client accounts and which have a need for such information. LW does not otherwise provide information about its clients to outside firms, organizations or individuals except as required by law. Any party that receives this information will use it only for the services and as allowed by applicable law or regulations, and is not permitted to share or use this information for any other purpose.