

**Form ADV Part 2A: Firm Brochure**

January 7, 2021

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Braeside Investments, LLC is an investment advisor that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

**This brochure provides information about the qualifications and business practices of Braeside Investments, LLC. If you have any questions about the contents of this brochure, please contact us at (214) 276-9001. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Braeside Investments, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Material Changes**

Since our previous annual update to our Part 2A of Form ADV dated March 30, 2020, we have moved our principal office to a new address. The new address has been noted in this update to our Part 2A of Form ADV and all other related documents. In addition, we have entered into a sub-advisory relationship with an unaffiliated pooled investment vehicle. There are no other material changes; however, we recommend that you read this Part 2A of Form ADV in its entirety.

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## **1. Advisory Business**

Braeside Investments, LLC, founded in 2004, is an investment advisory services firm specializing in investment management for hedge funds. The principal owners of our firm are Steven McIntyre and Todd J. Stein.

Our firm specializes in offering investment advisory services to hedge funds. In providing our advisory services, we seek to achieve capital appreciation through investments primarily in securities we believe are undervalued in the small and micro-cap space (defined as less than one billion dollars in enterprise value). We utilize a range of investment strategies, including investing in publicly-traded equity securities, both long and short. We also invest in a broad array of other securities in both private and public markets.

Braeside also sub-advises a portion of a pooled investment vehicle that is managed by an unaffiliated investment adviser.

For more information on the investment strategy of our clients, please see Item 5: Method of Analysis, Investment Strategy and Risk of Loss.

Our firm tailors our advisory services in accordance with each client's needs and investment strategy as disclosed in its offering document. Clients may not, however, place restrictions on our investing in securities or certain types of securities.

We do not participate in any wrap fee programs.

The amount of client assets that we manage on a discretionary basis, as of January 6, 2021 is \$118,905,329. We do not manage any client assets on a non-discretionary basis.

## **2. Fees and Compensation**

We typically receive two types of compensation from our clients – an asset-based management fee and performance-based compensation. Generally, each year, we charge clients an asset-based management fee of 2% of each client's assets that we manage and performance-based compensation of 20% of each client's profits (specifics follow below).

Our fees are generally not negotiable. We have the general discretion to waive all or a portion of the asset-based management fee and/or the performance-based compensation, but typically only exercise this discretion for investors that are our family members, early investors, or employees. In addition, we enter into side letter arrangements with certain investors in our clients, in which we grant them preferential terms.

Our firm does not pay asset-based or performance-based fees.

## **Asset-Based Fees**

- **Braeside Capital, L.P.**
  - 2.0% annually of each investor's capital account balance.
- **Braeside Capital II, L.P.**
  - 2.0% annually of each investor's capital account balance.

## **Performance-Based Fees**

- **Braeside Capital, L.P.**
  - 20% annually of the client's net profits for the year, subject to a high water mark. A high water mark ensures that we only receive performance compensation when the client's account value is greater than its previous greatest value (reduced pro rata by any withdrawals of capital by the investor). Should the account drop in value, then it must exceed the previous greatest value before we can receive performance compensation again. For example, a client begins with a \$500,000 investment in 2009 and that investment's value falls to \$300,000. In 2010 the account produces 100% returns and that investment is now worth \$600,000. This client would only have to pay performance compensation on the gain between the \$500,000 and \$600,000, not the entire gain for that year.
- **Braeside Capital II, L.P.**
  - 20% annually of the client's net profits for the year, subject to a high water mark (as described above).
- **Sub-Advised Fund**
  - The performance-based compensation that Braeside charges to the portion of the sub-advised vehicle that it manages are established in the relevant sub-advisory agreement between the sub-advised vehicle and Braeside, and equals 42.5% of the monthly net gain of the portion of the sub-advised vehicle after any applicable offsets. Braeside is also subject to a "first loss" provision with respect to the portion of the sub-advised vehicle that it manages.

With respect to Braeside Capital, L.P. and Braeside Capital II, L.P., we deduct the asset-based management fee described above from our clients' accounts quarterly at the beginning of each quarter. We also deduct the 20% performance-based allocation described above from our clients' accounts at the end of each year or when investors make a withdrawal (but only for the amount withdrawn).

In connection with our advisory services, our clients bear all of their own expenses. The list below details some these expenses, but does not include every possible expense our clients may incur.

Braeside Capital, L.P. and Braeside Capital II, L.P. may pay for the following operating expenses:

- Legal;
- Accounting;
- Audit; and
- Tax preparation expenses.

These clients also pay for expenses related to the investment of their assets, such as:

- brokerage commissions;
- proxy related expenses;
- underwriting and private placements;
- interest payments and expenses;
- borrowing charges on securities sold short;
- custodial fees;
- investment related consulting and other professional fees (including valuation services);
- other expenses related to the purchase, sale or transfer of the respective fund clients' assets.

In addition, these clients incur:

- withholding taxes;
- taxes imposed on transfers;
- any governmental, regulatory, licensing, filing or registration fees in compliance with the rules of any self-regulatory organization or any federal, state or local laws;
- specific expenses for obtaining systems, research and other information used for portfolio management purposes that assist in valuations and accounting,

including the costs of statistics and pricing services, service contracts for quotation equipment and related hardware and software;

- liability insurance; and
- all costs and expenses of reporting and providing information to existing and prospective investors.

For more information on brokerage transactions and costs, please see Section 9: Brokerage Practices.

The asset-based fee that we charge our clients is payable at the beginning of each quarter. The investors in our clients can generally only withdraw money from a client on the last day of each quarter, so they are not likely to pay an asset-based fee in excess of what they owe. Our clients do not pay any performance-based compensation in advance.

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

### **3. Performance-Based Fees and Side-By-Side Management**

Our firm or the general partner of our clients receives performance-based compensation in the form of a performance allocation from our clients. Please see Section 2: Fees and Compensation for a detailed explanation of our performance-based compensation.

The performance-based compensation that Braeside charges to the portion of the sub-advised vehicle that it manages is established in the relevant sub-advisory agreement between the sub-advised vehicle and Braeside, and equals forty-two and one-half percent of the monthly net gain of the portion of the sub-advised vehicle after any applicable offsets.

The existence of the performance allocation may create an incentive for our firm to make riskier or more speculative investments. Our firm's investment in our clients aids in aligning our interests with the interests of our clients. We do not manage any clients that do not pay performance-based compensation.

### **4. Types of Clients**

Braeside Investments, LLC is the investment manager to Braeside Capital, L.P. and Braeside Capital II, L.P. and also sub-advises a portion of a pooled investment vehicle that is managed by an unaffiliated investment advisor.

All of our clients are hedge funds. Our clients rely on certain exclusions from the definition of "investment company" in the Investment Company Act of 1940, as amended. Accordingly, none of our clients are registered as investment companies with the Securities and Exchange Commission.

#### Investment Requirements

Investors in Braeside Capital, L.P. and Braeside Capital II, L.P. are generally required to make a minimum investment of \$750,000. We have the discretion to, and on occasion may, accept investments for a lesser amount.

We may, in the future, agree to provide services to additional separately managed accounts. The minimum amount required to open a separately managed account is \$1,000,000.00; however, we will decide whether to open a separately managed account on a case by case basis.

This firm brochure is not an offer to invest in our clients.

## **5. Method of Analysis, Investment Strategies and Risk of Loss**

In managing our clients, we primarily focus on investments in undervalued equities in the small and micro-cap space (defined as less than one billion dollars in enterprise value). However, we may change the market exposure for our clients depending on our assessment of overall market valuations. For example, depending on market conditions, we may take defensive positions in cash, precious metals, and shorts for our clients.

To determine what securities to invest in, we practice value investing. This means (i) reading and learning at length about the business (including government filings, trade publications, competitors' filings, etc.), (ii) thinking about the business rationally, (iii) attempting to find a price that the business would be worth in the private markets and (iv) then buying at a discount to that price depending upon the risks identified in the business model.

From time to time, we may invest in larger companies or in non-equity pieces of businesses. We have the ability to utilize short sales and leverage. Currently, short sales are part of our clients' investment strategy based on our analysis of current market conditions. However, we may cover or increase our clients' short exposure depending on our continuing analysis of market conditions. We generally seek to short securities for our clients that have deteriorating fundamentals, overvaluation, or aggressive accounting. We may also short securities for our clients as a hedge on other positions in their portfolios. However, leverage is generally not compatible with our value strategy. Therefore, we do not currently anticipate the use of any leverage.

Despite our thorough research and analysis and comprehensive investment strategies, investing in any security involves a risk of loss that clients and investors in our clients must be prepared to bear. Please see below for a detailed explanation of some of the significant risks associated with the investment strategies we employ.

- *Investment Judgment and Market Risk:* The success of our investment programs depends, in large part, on correctly evaluating future price movements of potential investments. We cannot guarantee that we will be able to accurately predict these price movements and that our investment programs will be successful.



- *Investment and Trading Risk:* Investments in securities and other financial instruments involve a degree of risk that the entire investment may be lost. The use of short sales and option trading can, in certain circumstances, substantially increase the impact of unfavorable price movements of our clients' investments. Also, changes in the general level of interest rates may negatively affect our clients' results.
- *Dependence on our Firm.* The success of our clients is largely dependent upon our firm. There is no guarantee that our firm or the individuals employed by our firm will remain willing or able to provide advice to the clients' accounts or that trading on this advice will be profitable in the future. The performance of our firm depends upon certain key personnel. If any of these personnel become incapacitated, the performance of our clients may be adversely affected.
- *Financial Markets and Regulatory Change:* The instability in global financial markets has increased the risks associated with the investment activities and operations of hedge funds, including those resulting from a reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which we work. Market disruptions over the recent years and the increase in capital being allocated to hedge funds and other alternative investment vehicles have led to increased scrutiny and regulation over the hedge fund and asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to our clients, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to our clients' interests.
- *Bankruptcy of Broker-Dealers.* Any cash and securities maintained at accounts at U.S. broker-dealers registered with the Securities and Exchange Commission and the Financial Industry Regulatory Authority are protected to a limited degree by the U.S. Securities Investor Protection Corporation, which will supplement payment to a broker-dealer's customers, up to \$500,000 per customer (\$250,000 for cash claims) if a broker-dealer goes bankrupt and funds are not enough to pay for the customer's claims. Therefore, our clients could be at risk of loss for any amounts above these limits. In addition, bankruptcy law applicable to all U.S. futures commission merchants requires that, if the merchant becomes bankrupt, all its property will be distributed to its customers only to the extent of each customer's pro rata share. If any merchant holding any client assets were to become bankrupt, it is possible that the client would be able to recover little to none of its assets. Furthermore, in the event of an insolvency of the merchant or other counterparty not regulated by the Commodity Futures Trading Commission, the commission's segregation protections would not be available to the client. Other custodians and counterparties may have similar types of risks. Assets held outside the U.S. may be subject to different and/or diminished protection in the event of a counterparty failure located in a jurisdiction other than the U.S.

The following is a description of the various strategies that we utilize in advising our clients and some important risks associated with each strategy. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in our investment strategies. Investors in our clients (and prospective investors) may refer to the Private Placement Memorandum of each client for a more detailed description of these risks.

- *Equity Securities:* We seek to achieve capital appreciation through investments primarily in securities we believe are undervalued. We buy these securities on our clients' behalf seeking to profit from both security selection and thematic sector or market timing decisions. The value of these investments will generally vary with their issuer's performance and movements in the equity markets. Because of this, our clients may suffer losses if they invest in equity instruments of issuers whose performance diverges from our expectations.
- *Small and Micro-Cap Stocks.* We may invest in small and micro-capitalization stocks on behalf of our clients. Investments in small and micro-capitalization stocks involve greater risk than is customarily associated with larger, more established companies. These companies often have sales and earnings growth rates that exceed those of large companies. These growth rates may be reflected in more rapid share price appreciation. However, smaller companies often have limited product lines, markets or financial resources, and they may be dependent upon small management teams. These securities may have limited marketability and may be subject to more abrupt or erratic movements in price than securities of larger companies or the market averages in general.
- *Short Selling:* We may sell short securities on behalf of our clients. Short selling of securities occurs when we borrow securities, promising to buy them at a later date. If the price drops, we can buy the securities at the lower price and make a profit on the difference. If the price of the securities rises, we have to buy them back at the higher price, and the investment loses money. Buying the securities can itself cause the price of the securities to rise further which would exacerbate the potential for loss.
- *Fixed-Income Securities:* We may invest in bonds or other fixed-income securities on behalf of our clients. Fixed-income securities provide periodic returns and the eventual return of the principal at the end of the term. The value of fixed-income securities changes in response to interest rate fluctuations and market perception of the issuer's ability to pay off its obligations. Fixed-income securities are also subject to the risk that their issuer may be unable to make interest or principal payments on its obligations.
- *Options:* We may invest in call and/or put options on behalf of our clients. There are risks associated with the sale and purchase of options. Call options are the right to buy a security at a certain price within a defined time period. Put options are the right to sell a security at a certain price within a defined

time period. A buyer of either type of option assumes the risk of losing its entire investment in the option. A buyer of a call option risks losing its investment if the particular security never reaches the designated price within the set time period. A buyer of a put option risks losing its investment if the particular security does not decline enough to reach the designated price within the set time period.

- *Use of Warrants & Rights.* We may invest in warrants and rights on behalf of our clients. Warrants permit, but do not obligate, the holder to subscribe for other securities or commodities. Rights are similar to warrants, but normally have a shorter duration and are offered or distributed to shareholders of a company. Warrants and rights may be considered more speculative than certain other types of equity-like securities because they do not carry with them rights to dividends or voting rights and they do not represent any rights in the assets of the issuer. These instruments do not have value if they are not exercised prior to their expiration dates. The market for warrants and rights can become very illiquid. Changes in liquidity may significantly impact the price for warrants and rights.
- *Leverage/Borrowing.* While we currently do not intend to use leverage, subject to applicable margin and other limitations, we may borrow funds in order to make additional investments. Borrowing involves risk to our clients because the interest on the borrowed amount may be greater than the income from or increase in the value of the securities purchased with the borrowed amount. Also, the value of the securities purchased with the borrowed amount can decline below the amount borrowed.

Any investment profits made with the proceeds from borrowings in excess of interest paid on the borrowings will cause the income and value of a client to be greater than would otherwise be the case. On the other hand, if the value of the additional securities purchased with the borrowed money does not increase enough to cover the interest paid on the borrowings, then the income and value of a client will be less than would otherwise be the case. Generally, borrowing-type techniques used to increase potential returns are all forms of leverage.

- *Swaps and Other Derivatives:* At times, we may invest in swaps and other forms of derivative contracts on behalf of our clients. A derivative is a financial instrument that is a contract between two parties, the value of which is linked to another security or commodity, or an “underlying asset.” Some of the derivatives in which we may trade are over-the-counter, meaning they are privately negotiated between two parties, as opposed to being traded on an exchange. Over-the-counter transactions typically involve significant transaction costs.

A swap is a type of derivative in which counterparties agree to exchange one stream of cash flow for another, each stream being based on an underlying

asset. For example, an investor realizing returns from an equity investment can swap those returns into less risky fixed income cash flows without having to sell its equities. Swaps are particularly sensitive because various market variables affect the values of the cash flows, causing them to change.

Any derivative contract typically involves leverage, as it exposes our clients to potential gain or loss from a change in the price of an underlying asset in an amount that exceeds the amount of cash or assets required to establish or maintain the derivative contract. Consequently, an adverse change in the price of the underlying asset can result in a loss to our clients that is more exaggerated than would have resulted from an investment that did not involve the use of leverage inherent in a derivative contract. Finally, derivative contracts are risky because, ultimately, their success depends in part on the counterparty's financial condition; That is, the counterparty's ability to turn over the cash flow it promised.

- *Illiquid Investments:* From time to time we make very illiquid investments on behalf of our clients. Illiquid investments are investments that are not heavily traded and cannot easily be converted to cash. If any of our clients requires cash and we must sell illiquid investments at an inopportune time, we might not be able to sell illiquid investments at prices that reflect our assessment of their value or the amount paid for them.
- *Foreign Securities:* We often invest in foreign securities on behalf of our clients. Investing in foreign securities involves certain risk factors not typically associated with investing in U.S. securities, such as fluctuation between exchange rates and the costs of converting from one currency to another. In addition, there may not be much information available regarding foreign securities because foreign companies and governments may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those of the U.S. There also might be a greater risk of political, social or economic instability and the possibility that foreign taxes may be imposed on our clients' income. Finally, when investing in foreign bonds, there is always a risk that their issuer will default and be unable to pay the interest and/or principal payments due on the bonds, as the financial stability of foreign issuers may be more precarious than that of U.S. issuers.

We do not recommend primarily any single type of security. Our clients generally hold a diverse range of investments, yet we still encourage our clients as well as their investors to consider all of the risk factors we have described above. Any investment can be risky and our clients and investors in our clients must be prepared to assume any potential loss.

Notwithstanding the foregoing, Braeside's investment decisions for the portion of the investment vehicle that it sub-advises are subject to various investment guidelines set by the unaffiliated investment adviser to such investment vehicle.

## **6. Disciplinary Information**

Neither our firm nor any management person has been involved in any criminal or civil actions in a domestic, foreign or military court.

Neither our firm nor any management person has been subject to an administrative proceeding before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

Neither our firm nor any management person has subject to a proceeding before any self-regulatory organization.

## **7. Other Financial Industry Activities**

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

Neither our firm nor any of our management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above. However, our firm and Braeside Management, L.P., are each a commodity pool operator and commodity trading advisor exempt from registering with the National Futures Association.

We manage the following clients, which are our related persons:

- Braeside Capital, L.P.
- Braeside Capital II, L.P.

Braeside Management, L.P., an affiliate of our firm, acts as the general partner to Braeside Capital, L.P. and Braeside Capital II, L.P.

We do not recommend or select unaffiliated investment advisers for our clients, receive compensation directly or indirectly from unaffiliated advisers that create a material conflict of interest, or have other business relationships with them that create a material conflict of interest.

## **8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

We have adopted a Code of Ethics in accordance with the Securities and Exchange Commission requirements. Our Code of Ethics works to ensure that our principals' and employees' securities transactions are consistent with our firm's fiduciary duty to our clients and to ensure compliance with legal requirements and our firm's business conduct standards. It focuses on specific areas where employee conduct has the potential to affect clients' or investors' interests adversely. Our Code of Ethics restricts in certain circumstances personal trading on certain securities or instruments and requires

employees to submit periodic reporting of their personal securities transactions and holdings. Employees must also submit an annual report that sets forth all of their current holdings. Certain employee trades must be reviewed and approved by our Chief Compliance Officer. This paragraph only represents a summary of key provisions in our Code of Ethics. We provide a copy of our entire Code of Ethics to any prospective client, any client or any investor in our clients that requests one.

Principals and employees of our firm do not recommend to clients, nor do they buy or sell for client accounts, securities in which they have a material financial interest.

Principals and employees of our firm may buy and sell for themselves securities that they also buy and sell for our clients. This could create a conflict of interest if our principals and employees receive more favorable execution prices than do our clients because our principals' and employees' trades might have driven up the market prices of target securities. However, we eliminate this conflict by mandating that principals and employees cannot buy or sell these securities until we have first had the opportunity to buy or sell them for our clients' accounts.

## **9. Brokerage Practices**

In selecting broker-dealers and determining the reasonableness of their commissions for our clients' transactions, our firm generally tries to obtain the best execution for our clients' portfolios and we take into account the following factors:

- The broker-dealer's ability to effect prompt and reliable executions at favorable prices (including the applicable profit or commission, if any);
- The operational efficiency with which transactions are effected, considering the size of the order and difficulty of execution;
- The financial strength, integrity and stability of the broker-dealer;
- The firm's risk in positioning a block of securities;
- The quality, comprehensiveness and frequency of available research services considered to be of value; and
- The competitiveness of commission rates in comparison with other broker-dealers that satisfy our selection criteria.

We Have the Authority to Utilize Research and Other Soft Dollar Benefits. We are authorized to pay higher prices to buy securities from, or accept lower prices for the sale of securities to, brokerage firms that provide us with certain investment and research information. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with

management or industry consultants. We are not required to weigh any of these factors equally.

In addition to research services, we may be offered other non-monetary benefits by broker-dealers. These benefits may take the form of payment of all or a portion of our costs and expenses of operation such as supplies, salaries, employee benefits, telephone, postage, transportation, travel, meals and entertainment, placement fees and other marketing costs, office equipment, news wire and data processing charges, legal and accounting fees, office rent and electricity, quotation services and periodical subscription fees and all other trading related expenses.

We have the option to use “soft dollars” generated by our clients to pay for the research and non-research related services described above. The term “soft dollars” refers to the receipt by an investment manager of products and services provided by brokers, without any cash payment by the investment manager, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment manager. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the United States Securities Exchange Act of 1934, as amended, provides a “safe harbor” to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment manager in the performance of investment decision-making responsibilities. In the event we elect to use soft dollars for payment of all or a portion of our costs and expenses of operations such as supplies, salaries, employee benefits, telephone, postage, transportation, travel, meals and entertainment, placement fees and other marketing costs, office equipment, news wire and data processing charges, legal and accounting fees, office rent and electricity, quotation services and periodical and subscription fees, these uses of soft dollars are not within the safe harbor afforded by Section 28(e).

The Use of Soft Dollars Can Create a Conflict of Interest. Using client transactions to obtain research and other benefits creates incentives that result in conflicts of interest between advisers and their clients. If we use client markups or markdowns to obtain research products and services, our firm receives a benefit because we do not have to pay for the research products and services. The availability of these benefits may influence us to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the products and services instead of on our clients’ interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other broker-dealers.

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

**We DO NOT Currently Use any Formal Soft Dollar Benefits.** Although we have the ability to use soft dollars, we do not currently use any formal soft dollar benefits from broker-dealers. However, from time-to-time, our trading brokers provide us with incidental research and assistance meeting with CEOs and other industry contacts, which may be considered “informal” soft-dollar benefits, which may result in higher trading commissions. However, we believe that such incidental perks benefit our firm and all of our clients because of Braeside Investments’ pari-passu trading policy.

**We Do Not Consider Referrals in Selecting or Recommending Broker-Dealers.**

**Our Clients Do Not Direct Brokerage.** Our firm does not recommend, request or require that a client, nor do we permit a client to, direct us to execute transactions through a specified broker-dealer.

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

Occasionally, we may find it is necessary to sell shares of a given security in one account while simultaneously purchasing that same security in another account. This is done in order to achieve the appropriate position sizes for each account. Such a situation may be caused by differences in invested positions, changes in the market value of certain positions, different investment objectives and restraints among the various accounts, capital additions or withdrawals in one or more accounts, differing tax considerations, and any number of other reasons.

In such cases we may opt to sell shares effectively from one client account to another in order to avoid adversely impacting the market price of the security and to avoid paying the bid / ask spread on both sides of the trade. Because we are not a broker-dealer, nor are we affiliated with any broker-dealer, it is our policy that transactions done inter-account are executed through one of our outside brokers at the future market prices then prevailing, using (1) the opening price, (2) the closing price, or (3) the midpoint of the bid / ask spread depending on the liquidity of the security. Lack of liquidity in some positions may result in temporary differences in concentrations.



It is our policy that such inter-account trades be executed solely for the benefit of our clients. Neither the firm nor any of its employees are permitted to receive compensation, either directly or indirectly, from any such transactions.

The firm has procedures in place to determine the manner and frequency of fairly valuing investors' assets. Generally, the firm marks the value of each security listed or traded on any recognized U.S. or foreign exchange or over-the-counter market at the last reported sale price at the relevant valuation date on the primary exchange or over-the-counter market on which such security is traded on a DAILY BASIS. In periods of limited trading the last price may be different than the published closing price and may not reflect market conditions. Furthermore, in those cases where appropriate external price quotes are not reasonably available, the firm may employ alternative valuation methods that it considers most appropriate in light of the particular circumstances. It is the firm's policy in these cases to consistently use conservative fair value estimates (as estimated by the Chief Compliance Officer) for all investment assets for which no dependable public market quotations are available.

It is our philosophy that the risk of potentially over-stating the realizable market value for such methods (and thereby inflating reported fund returns) is a far greater risk to our clients' welfare than is potentially understating value. It is also our view that clients will ultimately receive fair market value for any assets upon sale, and that we would prefer that any adjustment at the time of sale to be accretive to the client's returns rather than to be dilutive.

## **10. Review of Accounts**

Our principal, Steven McIntyre, reviews all of our client accounts on at least a monthly basis or as triggered by economic and market conditions. Where applicable, these reviews include an assessment of daily profit and loss reports with respect to our clients' investment positions. Mr. McIntyre evaluates our clients' investments based on performance, company fundamentals, news and press releases, analyst reports, general market conditions and other considerations he deems appropriate.

We will also review accounts in certain extraordinary events, such as natural disasters, extreme political and economic events (i.e. a market crash) and any other event we believe creates abnormal market conditions. See the paragraph immediately above for a description of the other factors that may trigger reviews of client accounts.

We provide investors in our clients with written reports (at least semiannually) that contain information about the client in which they have invested. These reports typically contain fund performance information and do not necessarily contain financial information. We also provide them with written annual reports that contain audited financial statements and tax information.

## **11. Client Referrals and Other Compensation**

Our firm does not, nor do any principals or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our clients.

Our firm does not, nor do any principals or employees of our firm, compensate any person for client referrals. However, we do have an arrangement with UBS Financial Services, Inc. to provide us with referrals of investors for our clients in exchange for 25% of our asset-based and performance-based fees applicable to any investor in a client introduced to us by UBS. We have a written agreement with UBS that describes the solicitation activities to be undertaken. At the time of solicitation, the agreement requires the prospective investor be provided with: (a) a copy of Part 2 to our Form ADV; and (b) a copy of a separate disclosure statement describing the affiliation between the solicitor and us, and the terms of the solicitors' compensation. The referral fees paid to UBS are borne solely by our firm. Our clients and their investors are not responsible for any of the fees paid to UBS.

## **12. Custody**

Due to our access to our client funds and authority to deduct fees and other expenses from a client's account, we are deemed under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, to have custody of the clients' funds.

We utilize the services of a bank or other qualified custodian (as defined under Rule 206(4)-2) to hold all assets of these clients. We also ensure that the qualified custodian maintains these funds in accounts that contain only clients' funds and securities.

When we open an account for a client under its name as agent or trustee, we notify the client in writing of the qualified custodian's name and address and the manner in which the funds or securities are maintained, and also notify them in writing of any changes. In addition, we maintain a separate record for each account which shows the dates and amount of all deposits and withdrawals and a list of each client's beneficial interest in the account.

While Rule 206(4)-2 generally requires an investment adviser to ensure that a qualified custodian sends account statements to clients at least quarterly, we are not subject to this requirement with respect to our clients because all clients managed by our firm are subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. In these cases, we distribute audited financial statements to all investors in our clients within 120 days of the end of the fiscal year of the client.

## **13. Investment Discretion**

Our firm accepts discretionary authority to manage our clients' securities accounts. Essentially, this means that we have the authority to determine, without obtaining specific client consent, which securities to buy or sell and the amount of securities to buy or sell, the broker through which we effect trades, and the commission rates at which we effect trades. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in each of our clients' Private Placement Memorandum. This document covers matters such as the types and amounts of securities of which a client's portfolio will consist and the degree of risk assumed by a client's portfolio.

Before accepting their subscriptions for interests in a client, we provide all potential investors with a Private Placement Memorandum that sets forth, in detail, our investment strategy and program for the client. By completing our subscription documents to acquire an interest in one of our clients, investors give us complete authority to manage their investments in accordance with the Private Placement Memorandum they each received.

#### **14. Voting Client Securities**

Because clients have delegated the power to vote their securities to our firm, we have implemented proxy voting policies and procedures in accordance with securities laws and our fiduciary obligations to our clients. We always strive to vote client proxies in a manner consistent with each client's best interests. Our officers, directors and employees will not be influenced by outside sources whose interests conflict with our clients' interests.

We determine how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. We vote in a manner that we believe reasonably furthers the best interests of the client and is consistent with the client's investment philosophy as set forth in the relevant investment management documents. We pay particular attention to the following matters in exercising our proxy voting responsibilities as a fiduciary to our clients:

- Accountability - Each company should have effective means in place to hold those entrusted with running a company's business accountable for their actions. Management of a company should be accountable to its board of directors and the board should be accountable to shareholders.
- Alignment of Management and Shareholder Interests - Each company should endeavor to align the interests of management and the board of directors with the interests of the company's shareholders. For example, we generally believe that compensation should be designed to reward management for doing a good job of creating value for the shareholders of the company.
- Transparency - Promotion of timely disclosure of important information about a company's business operations and financial performance enables investors to evaluate the performance of a company and to make informed decisions about the purchase and sale of a company's securities.

Our proxy policy sets forth voting guidelines for the following categories: election of board of directors, approval of independent auditors, equity-based compensation plans, corporate structure and shareholder rights plans. We will cast votes for these matters in accordance with these guidelines. In the event our guidelines are not applicable to a particular situation, we may seek guidance from our attorneys or industry experts on how a proxy proposal might impact a company, and vote accordingly.

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

We maintain records of (i) all proxy statements and materials we receive on behalf of clients; (ii) all proxy votes that are made on behalf of the clients; (iii) all documents that were material to a proxy vote; (iv) all written requests from clients regarding voting history; and (v) all responses (written and oral) to clients' requests. These records are available to the clients, including any investor in a client, upon request.

## **15. Financial Information**

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

We do not believe any financial condition exists that is reasonably likely to impair our ability to meet contractual commitments to our clients.

Our firm has never been the subject of a bankruptcy petition.