



Item 1

Cover Page

FORM ADV PART BROCHURE 2A*

March 2022

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*This brochure provides information about the qualifications and business practices of Menlo Advisors LLC. If you have any questions about the contents of this brochure, please contact us at telephone 650.688.0300. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state authority.

This Brochure provides information upon which a prospective client may determine whether or not to hire our Firm. You are encouraged to review this Brochure and Supplements regarding the Firm's associates for information on the qualifications of the Firm and its employees.

The use of the term "registered investment adviser" and description of Menlo Advisors LLC and/or our associates as "registered" does not imply a certain level of skill or training. Additional information about Menlo Advisors LLC is available on the SEC's website at www.advisorinfo.sec.gov.

Item 2 MATERIAL CHANGES FROM PRIOR FORM ADV PART 2A

This updated Form ADV Part 2A contains the following changes from prior versions:

- Updated description of assets under management at Part 2A, Item 4.

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Item 4 ADVISORY BUSINESS

| | |
|---------------------------|--|
| Registration Status – | Registered with the SEC on October 11, 2002 ¹ |
| Principal Owners – | Kent R. Seymour and Tracey S. Seymour |
| Assets Under Management – | Discretionary Assets – \$322,506,220 |
| (As of December 2021) | Non-discretionary Assets – 0 |

ADVISORY SERVICES

Menlo Advisors LLC ("Menlo") is a California limited liability company that provides investment management and limited financial planning services to its clients. Menlo's investment management services may include, among others, financial goal setting, risk assessment, strategic asset allocation and the selection and management of securities and investments. Securities transactions are supervised on a continuous basis and each client's portfolio holdings and asset allocations are monitored on a periodic basis.

The Firm is also the general partner and investment advisor to a pooled investment fund named Skyline Partners, LP a Delaware limited partnership ("Skyline Partners" or the "Fund").

Individually managed Client Accounts

The investment management services we provide are based on each individual client's financial circumstances and investment objectives. Our portfolio managers meet with each client to discuss the client's current financial condition and to review the client's current investment holdings. Based upon each client's circumstances, we determine an appropriate asset allocation for the client's investment portfolio, in accordance with the client's specific financial objectives and risk tolerance and in consideration of other factors, including the client's time horizon (education funding, home purchase, retirement, legacy planning), liquidity needs, and other available resources (including external retirement plans, projected social security, outside investments, real estate, and insurance). Clients may identify any investment restrictions to be placed on their account. Each client's financial objectives, risk tolerance, and liquidity needs, along with a recommended asset allocation, are incorporated into an investment portfolio that is customized for the client.

A client may make additions to and withdrawals from the client's portfolio account at any time, subject to the Firm's right to terminate an account if the amount of assets drops below our account size minimum. Clients may withdraw account assets with notice to the Firm, subject to the usual and customary securities settlement procedures. However, we design client portfolios as long-term investments and caution our clients that asset withdrawals may impair the achievement of the client's investment objectives.

Additions to an account may be in cash or securities provided that we may decline to accept particular securities into a client's account or may recommend that the security be liquidated if it is inconsistent with the Firm's investment strategy or the client's investment objectives. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. sales charge) and/or tax ramifications.

¹ "Registration" means only that the Firm meets the minimum requirements for registration as an investment advisor and does not imply that the SEC guarantees the quality of our services or recommends them.

Menlo may refer our clients to other professionals such as attorneys or accountants for estate planning, real estate consultations, corporate counsel, tax or other matters. Menlo does not accept fees for such referrals. Neither the Firm nor its principal/employees are affiliated with any law or accountancy firm and we do not supervise or otherwise warrant such third-party services.

FINANCIAL PLANNING AND FINANCIAL CONSULTATION SERVICES

Menlo includes limited financial consultations with its investment management services. Such services may include a financial review and analysis of some or all of the following areas:

- Determining Financial Goals And Objectives
- Asset Allocation Review
- Retirement Plan Analysis
- Employee Stock Option Analysis
- Current Portfolio Review
- Education Funding Analysis
- Cost Audit of Current Investments
- Cash Flow Management Review
- Review of Insurance Needs
- Mortgage and Refinance Evaluation
- Estate Plan Review or Development
- Charitable (or social capital) Planning
- Opinion on Current Investment Strategy/Advisors
- Other financial or investment analysis

Financial consultation services not included with investment management services may be provided pursuant to a separate agreement.

GENERAL NOTICE

In performing its services, Menlo relies upon the information received from its client or from their other professional legal and accounting advisors and is not required to independently verify such information. Clients must promptly notify us of any change in their financial situation or investment objectives that would necessitate a review or revision by our advisors of the client's portfolio and/or financial plan.

FIDUCIARY STATUS

Menlo is a fiduciary under applicable federal regulations and as a fiduciary, is obligated to provide services and advice that are in the best interest of each client.

SERVICES TO SKYLINE PARTNERS, LP

Menlo Advisors is also the general partner and investment manager to Skyline Partners, LP which was established to provide a "fund of funds" investment vehicle for those clients of Menlo Advisors that qualify as investors for other private investment companies and for which such investments are deemed suitable. As the general partner of the Fund, Menlo Advisors has a proprietary interest in the Fund and is entitled to certain fees and the reimbursement of expenses, if any are assessed, in accordance with the terms of the Skyline Partners private placement memorandum and investor subscription agreements entered into with its investors. The Fund operates as a pooled investment vehicle intended to provide diversification, management expertise and other advantages to qualifying clients. In order to invest in the Fund, an investor must meet certain requirements, including qualifying as a "qualified client" (as defined in SEC Rule 205-3(d)(1) under the Investment Advisors Act of

1940) and an "accredited investor" (as defined in Rule 501(a) of Regulation D under the Securities Act of 1933).

PURCHASER REPRESENTATIVE SERVICES

Menlo occasionally acts as purchaser representative for unaccredited investors that want to invest in private placements or limited offerings. A purchaser representative is typically retained as a part of a merger or acquisition transaction wherein private stock in the merged entity or the acquiring entity is offered to prospective shareholders that do not meet the income or net worth requirements of an "accredited investor" under the regulations for private placements or limited offerings. In such cases, Menlo is retained by the issuer of the stock to advise such unaccredited potential investors on the merits and risks of the prospective investment.

TERMINATION OF AGREEMENT

Clients may terminate their investment management agreement at any time upon written notice to the Firm. Any prepaid fees owed to the client will be refunded on a pro rata basis determined on the amount of time expired in the calendar quarter.

Menlo Advisors may only be terminated as the investment manager of Skyline Partners as provided in the Fund's limited partnership agreement, a copy of which is provided to each prospective investor in the Fund.

Item 5 FEES AND COMPENSATION

ADVISORY FEES FOR INDIVIDUALLY MANAGED CLIENT ACCOUNTS

Menlo charges a blended fee based on a percentage of assets under management. Fees are payable quarterly, in advance. On the opening of an account, Menlo charges a fee based on the value of assets placed in an account, prorated for the remaining portion of the calendar quarter. At the end of each calendar quarter, the annual fee is calculated based on total assets at the end of the quarter, divided by four, and billed to the client for the upcoming quarter. Menlo may charge a fixed minimum annual fee of \$10,000 to maintain an account.

Menlo's fee schedule is as follows:

| <u>Value of the Assets Under Management</u> | <u>Annual Fee as a % of Assets</u> |
|--|---|
| On the value up to \$2,000,000 | 1.00%, plus |
| On the value between \$2,000,001 - \$10,000,000 | 0.75%, plus |
| On the value between \$10,000,001 - \$30,000,000 | 0.50% |
| For account totals over \$30,000,000 | negotiable |

Under certain circumstances, Menlo's fees are negotiable. Affiliated accounts are aggregated when calculating the fee schedule. Limited financial planning services are included in the foregoing fee.

Menlo typically recommends including the margin feature when setting up the portfolio account with the custodian, even though the Firm does not employ margin in its investment strategy. To the extent that a client authorizes the use of margin, and margin is thereafter

employed by our portfolio managers in the management of the client's portfolio, the market value of the client's account and corresponding fee payable by the client to Menlo may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin may correspondingly increase the management fee payable to the Firm. Accordingly, the decision as to whether to employ margin is left to the sole discretion of client.

ADVISORY FEES FOR SKYLINE PARTNERS, LP

All fees paid by investors in the Fund are more fully described in the private placement memorandum and subscription agreement, provided to Fund investors at the time of the investment. As its investment manager, Menlo Advisors charges an investment management fee to each limited partner equal either to one and three quarters percent (1.75%) of the limited partner's Fund account assets or one percent (1%) plus, if the limited partner's net capital appreciation exceeds a "hurdle rate" of three percent (3%) for the year, an additional fee called a performance allocation of ten percent (10%) of the entire net capital appreciation of that limited partner's Fund account assets, subject to offset by any prior period's net capital depreciation (the "high water mark" if any, established for the investor's Fund account).

Such fees are calculated and paid quarterly in advance based on the net asset value of the assets as of the end of the preceding quarter. Menlo Advisors in its sole discretion, may waive or reduce the management fee with respect to any Fund investor for any period of time, or agree to apply a different fee for that investor.

The quarterly Management Fee charged on capital contributed on a day other than the first day of the quarter will be adjusted *pro rata* for the number of days remaining in the quarter. No portion of a Management Fee paid or payable for a quarter will be refundable if all or a portion of the Limited Partner's Capital Account is voluntarily withdrawn during the quarter, but a pro rata portion of such Management Fee will be refunded if an involuntary withdrawal occurs during the quarter. The Fund generally pays directly or reimburses Menlo Advisors for certain operating expenses.

The Firm's individually managed account clients that are also investors in the Fund are not billed separately for investment management fees by the Firm for the portion of their assets represented by their investment in the Fund, but rather pay only the Fund management fees on those assets. However, as disclosed below under Third Party Fund Disclosures, the Fund will pay fees to third party fund managers for investment management and administrative services to the extent that Fund assets are invested in such third party investment vehicles, and investors in the Fund will therefore indirectly bear such third party fees and expenses in addition to the Fund management fees.

FINANCIAL CONSULTING FEES

Upon client request, Menlo may provide financial consulting services for either a fixed fee or for an hourly rate of \$300 per hour. Such fees would be billed monthly as services are rendered.

GENERAL FEE DISCLOSURES

The client's fee is determined in accordance with the above fee structure, with exceptions negotiated on a case-by-case basis at Menlo's discretion. Any deviations from the fee structure are based upon a number of factors including the amount of work involved, the

amount of assets placed under management and the attention needed to manage the account.

We believe our investment management fees are competitive with the fees charged by other investment advisors in the San Francisco Bay area for comparable services. However, comparable services may be available from other sources for lower fees than those charged by Menlo.

Menlo receives no commissions on investment products purchased or sold for client accounts.

We do not provide clients advice as to the tax deductibility of our advisory fees. Clients are directed to consult a tax professional to determine the potential tax deductibility of the payment of advisory fees.

CUSTODIAN AND BROKERAGE FEES

Clients incur certain charges imposed by their custodians and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients will incur charges by the executing broker-dealer in the form of brokerage commissions and transaction fees on the investment transactions entered into for their account(s). All of these charges, fees and commissions are in addition to Menlo's investment management fee.

THIRD PARTY FUND DISCLOSURES

Mutual funds, closed-end funds, exchange traded funds (ETFs) and private/alternative investment funds are investment vehicles and the investment strategies, objectives and types of securities held by such funds vary widely. In addition to the advisory fee charged by Menlo Advisors, clients (including those invested in Skyline Partners) indirectly pay for the expenses and advisory fees charged by the funds in which their assets are invested.

All such funds incur operating expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from fund to fund.

In addition, funds charge shareholders (individual investors in the funds) other types of fees such as early redemption or transaction fees. These charges also vary widely among funds. As a result, clients will still pay management fees and other, "indirect" fees and expenses as charged by each mutual fund (or other pooled investment vehicle) in which they are invested. Menlo Advisors only charges fees as outlined in Item 1.

Clients are provided a copy of a fund prospectus for each fund in which they invest by their custodian or by the fund sponsor rather than by Menlo Advisors. As required by law, a prospectus represents the fund's complete disclosure of its management and fee structure. In addition, a fund's prospectus can be obtained directly from the fund.

BOND DISCLOSURE

Clients whose assets are invested in bonds purchased directly from an underwriter may pay a sales credit or sales concession to the underwriter on the trade (in lieu of a sales commission).

PURCHASER REPRESENTATIVE FEES

Menlo charges a negotiated fee for acting as a purchaser representative. The fee is paid by the issuer of the security and may either be a fixed fee or a fee charged per unaccredited investor.

Item 6 PERFORMANCE-BASED FEES

Menlo Advisors does not charge performance related fees on individually managed client accounts and no part of the investment management fee is calculated as a percentage of the capital gain or capital appreciation of assets.

The Firm does offer a combined investment management fee and performance-based fee allocation option to limited partner investors in the Skyline Partners fund. Fund limited partners are given the option of paying a higher investment management fee or paying a lower investment management fee plus a performance fee based upon the limited partner's Fund investment's net capital appreciation. Please see Item 2 above for a detailed explanation of the fee options.

Item 7 TYPES OF CLIENTS

Our clients include individuals and high net worth individuals and their trusts and estates and the Fund. As a result of our minimum annual management fee requirement, Menlo Advisors' services may not be appropriate for everyone. Particularly for smaller accounts, other investment advisors may provide somewhat similar services for lower compensation, although still others may charge more for similar services.

Item 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS

METHODS OF ANALYSIS

Depending upon the type of investment, Menlo utilizes a combination of charting, fundamental, technical and cyclical analysis. Fundamental analysis involves analyzing real data, including overall economic and company-specific information available to determine the value of a particular investment. Technical analysis involves analyzing statistics provided by market activity such as past prices and volume to identify patterns that can be used to predict future activity. Cyclical analysis refers to stocks that are sensitive to business cycles and tied strongly to the overall economy (i.e. automobiles and housing). We may also utilize charting as part of our technical analysis which involves plotting data points (i.e. price, settlement, volume). In performing these analyses, the Firm consults third-party research materials, company annual reports and other regulatory filings, and financial newspapers and periodicals. Specific sources of information we rely on include Reuters, AFG and various internet subscription services.

INVESTMENT STRATEGY

Menlo's portfolio manager may invest in domestic and foreign equities, municipal or corporate debt, government securities and securities options. We may also utilize other types of investments such as closed end funds, exchange-traded funds (ETFs), certificates of deposit and alternative investments.

Alternative Investments

Additionally, Menlo may provide investment advice on investments including, but not limited to, venture capital limited partnerships, foreign securities limited partnerships, private equities, hedge funds, non-U.S. currency denominated bank accounts, oil and gas partnerships, real estate partnerships and precious metals.

INVESTMENT RISKS

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Risk refers to the uncertainty that the actual return the investor realizes could differ from the expected return. Risks may be systematic, referring to factors that affect the returns on all comparable investments and that affect the market as a whole. Systematic risks include market risk, interest rate risk, reinvestment rate risk, purchasing power risk and exchange rate risk. Unsystematic risks depend on factors that are unique to the specific investment security. These risks include business risk and financial risk.

In addition, investments in Skyline Partners are subject to liquidity restrictions and investment risks relating to the investment strategies of the management of each portfolio fund in which Skyline Partners invests. These and other specific risks relating to an investment in Skyline Partners are disclosed in its Private Placement Memorandum provided to all prospective investors.

Here are some of the general risks associated with parts of our investment strategy:

Short-term purchases – on occasion, generally only for tax management purposes, we may determine to buy or sell securities in a client's account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security's value.

Bond Values – The market value of bonds depends in part on the current rate of interest. Rising interest rates decrease the current price of bonds because current purchasers require a competitive yield. As such, decreasing interest rates increase the current value of bonds with associated decrease in bond yield. We may decide to exchange to a lower or higher duration bond or to another asset class due to interest rate risk that could affect investment performance. It would not be unusual for different broker-dealers to use different bond valuations.

Inflation - Inflation is the loss of purchasing power through a general rise in prices. If an investment portfolio is designed for current income with a real rate of return of 4% and inflation were to rise to 5% or higher, the account would result in a loss of purchasing power and create a negative real rate of return.

Price Fluctuation - Security prices do fluctuate and clients must accept that risk associated with the fluctuations or change to a more appropriate investment portfolio in alignment with their risk tolerance.

Mutual Funds with Foreign Asset Holdings – Any investments in mutual funds that make foreign investments are subject to the uncertainty with changes in the foreign currency value. The client will bear more risk and may earn a substantially higher return or a substantially lower return.

Short Sale Trading – Short Sale Trading or “shorting” involves a great amount of risk and is advocated by Menlo only to hedge a “long” position. In rare cases, short selling may be used as directed by client to achieve specific goals.

Margin Trading – Menlo does not advocate leverage as a part of its investment strategy. In rare cases, and generally only for short term financing considerations, clients may elect to

assume a margin balance on their investment account. Custodians require a percentage of assets under management to be pledged as collateral for the margin amount. Clients risk that in a falling market, the pledged collateral will be insufficient to cover a margin call by the client's custodian. Consequently, all margin decisions are left to the client.

Option Trading – Certain Menlo clients engage in option trading. Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss.

Alternative Asset Classes – Many alternative investments are illiquid, which means that the investments can be difficult to trade. Consequently, such holdings may limit a client's ability to dispose of such investments in a timely manner and at an advantageous price.

Private Equities – At a client's request, Menlo may include shares in non-publicly traded equities. Such shares may only be held by accredited clients. The issuers of private equity interests will generally have little available information on their financial status, capital structure or revenues, resulting in increased risk of loss, including total loss. In addition, these securities may be highly illiquid or may experience losses of liquidity – resulting in an inability to sell said equities or sales prices that are substantially below the purchase or market price. Menlo, unless otherwise expressly agreed, will value these positions at their purchase price for any accounting purposes, which may not reflect losses that would be realized if the position was sold. Of particular risk is that Menlo will base its account values for billing purposes on these positions' purchase price (unless another methodology is agreed upon with the client), leading to a potential motivation to overvalue said equities. Finally, Menlo may have clients who are executives of said firms or have other financial relationships that may create conflicts of interest. Where such conflicts exist, Menlo will disclose these conflicts in written format to the clients who hold such securities or whom we intend to purchase such securities under our discretion prior to any transactions.

Item 9 DISCIPLINARY INFORMATION

Menlo has no disciplinary history and consequently, is not subject to any disciplinary disclosures.

Item 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Menlo is an independent investment advisor, unaffiliated with any other financial institution or securities dealer or issuer. Although we typically recommend that our individually managed clients custody their investment accounts at Charles Schwab & Co., Inc. ("Schwab"), we generally are able to work with any qualified custodian. We require that any qualified custodian is a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investors Protection Corporation ("SIPC") or otherwise appropriately licensed or registered.

The assets of the Fund are custodied at First Republic Bank. Original subscription agreements are maintained by the third party Fund Administrator, HedgeAssist, LLC.

We have no legal affiliation with any custodian, including Schwab and First Republic Bank and do not supervise their brokerage activities and are not subject to their supervision.

Item 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Menlo, its employees and their immediate families (sometimes collectively “employees”) are permitted to buy and sell securities for their personal investment accounts. The Firm has adopted employee personal trading policies and procedures and a code of ethics to govern proprietary (on behalf of the Firm itself) and employee trading practices. Employees are required to report all personal securities transactions on a regular basis. All employees are required to abide by the Firm's personal trading practices and code of ethics. The Firm's principal, Kent R. Seymour, is a Chartered Financial Analyst and therefore also bound by the CFA Institutes' Code of Conduct. Menlo's employee personal trading policies and code of ethics are made available to clients and prospective clients upon request.

Menlo employees may trade in the same securities traded for clients. However, it is Firm policy not to give preference to orders for personnel associated with the Firm regarding such trading. Employees may personally invest in the same securities that are purchased for client trading accounts and may own securities that are subsequently purchased for client accounts. From time to time, trading by Menlo and/or its employees in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. If a security is purchased or sold for client accounts and employees on the same day, either employees will pay or receive the same price as the client account, or the client account will receive the more favorable price. If purchased or sold on different days, it is possible that employees' personal transactions might be executed at more favorable prices than were obtained or clients.

Menlo employees may buy or sell different investments, based on personal investment considerations, which the Firm may not deem appropriate to buy or sell for clients. It is also possible that employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. Employees may also buy or sell a specific security for their personal account based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to buy or sell for clients. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, employees may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal considerations (i.e., liquidity needs, tax-planning, industry/sector weightings) deem a sale necessary for individual financial planning reasons. If the security subsequently falls in price, these personal transactions could be viewed as a conflict of interest.

Item 12 BROKERAGE PRACTICES

RECOMMENDATION OF SCHWAB AS CUSTODIAN AND EXECUTING BROKER

Menlo typically recommends that its individually managed clients establish brokerage accounts with Schwab to maintain custody of clients' assets and to effect trades for their accounts. Schwab is independently owned and operated and not affiliated with Menlo and does not supervise or otherwise monitor Menlo's investment management services to its clients. Schwab provides Menlo with access to its institutional trading and custody services, which typically are not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a specified minimum of the advisor's clients' assets is maintained

in accounts at Schwab, but are not otherwise contingent upon Menlo committing to Schwab any specific amount of business (in the form of either assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institution investors or would require a significantly higher minimum initial investment.

Schwab also makes available to Menlo other products and services that benefit Menlo but may not benefit its clients. Some of these other products and services assist Menlo in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Menlo's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Menlo's accounts, including accounts not maintained at Schwab. Schwab also makes available to Menlo other services intended to help Menlo manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to Menlo by independent third parties. Schwab may discount or waive fees it otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to Menlo.

Menlo's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Menlo of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest. Other available qualified custodians may provide similar services.

DIRECTED BROKERAGE

In a limited number of cases, clients may direct Menlo to place all orders for securities transactions with a specific broker-dealer (directed brokerage). In these cases, Menlo is not obligated to, and will generally not solicit competitive bids for each transaction or seek the lowest commission rates for the client. As such, the client may pay higher commission costs, higher security prices and transaction costs than it otherwise would have had it not directed Menlo to trade through a specific broker. In addition, the client may be unable to obtain the most favorable price on transactions executed by Menlo as a result of Menlo's inability to aggregate/bunch the trades from this account with other client trades.

Furthermore, the client may not be able to participate in the allocation of a security of limited availability (such as an IPO) for various reasons, including if those new issue shares are provided by another broker or dealer. As a result of the special instruction, Menlo may not execute client securities transactions with brokers that have been directed by clients until non-directed brokerage orders are completed. Accordingly, clients directing brokerage may not generate returns equal to clients that do not direct brokerage.

Due to these circumstances, there may be a disparity in commission rates charged to a client who directs Menlo to use a particular broker and performance and other differences from other similarly managed accounts. Clients who direct brokerage should understand that similar brokerage services may be obtained from other broker-dealers at lower costs and possibly with more favorable execution.

BEST EXECUTION

Menlo is not obligated to obtain the best net price or lowest brokerage commission on any particular transaction. Rather federal law requires investment managers to use their reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts.

In selecting broker-dealers, Menlo's primary objective is to obtain the best execution. Expected price, giving effect to brokerage commissions, if any, and other transaction costs, are principal factors, but the selection also takes account of other factors, including the execution, clearance and settlement capabilities of the broker-dealer, the broker-dealers willingness to commit capital, the broker-dealers reliability and financial stability, the size of the particular transaction and its complexity in terms of execution and settlement, the market for the security, the value of any research and other brokerage services provided by the broker-dealer, and the cost incurred by placing prime brokerage trades in client accounts.

Based upon an evaluation of some or all of these factors, Menlo may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. Menlo may select broker-dealers whose fees may be greater than those charged for similar investments if Menlo determines that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

Menlo reviews transaction results periodically to determine the quality of execution provided by the various broker-dealers through whom Menlo executes transactions on behalf of clients.

SOFT DOLLAR ARRANGEMENTS AND POTENTIAL CONFLICTS

Menlo is not a party to formal agreements where it receives research or brokerage services, known as "soft dollar" services and research, from an executing broker-dealer in exchange for directing commissionable trades to that broker, or where it allows the broker to pay for such research or services on its behalf in exchange for commissionable trades. Although Menlo does not formally participate in soft dollar arrangements, it may receive certain discounts, services and/or research from Schwab by virtue of having its clients custody their assets there. Such discounts, services or research are generally offered by Schwab to all advisory firms that fit a common profile and Menlo is not offered them because of a particular event or request. Such discounts, services or research are accepted with the intent to benefit all clients and their value is not considered in the process of selecting securities to purchase for client accounts. In such cases, it is the Firm's policy is to limit its acceptance of such discounts, services or research to those falling within the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934, as amended. Only *bona fide* research and brokerage products and services that aid Menlo in the performance of its investment decision-making responsibilities are permitted.

AGGREGATION OF TRADES AND POTENTIAL CONFLICTS

We may combine transaction orders on behalf of multiple clients and allocate the securities or proceeds on an average price basis among the various participants in the transactions. Menlo and/or its associated persons may participate in such aggregated orders.

While Menlo believes combining transaction orders in this way should, over time, be advantageous to all participants, in particular cases the average price could be less advantageous to a particular client than if such client had been the only client effecting the transaction or had completed its transaction before the other participants. There may

be circumstances in which transactions on behalf of Menlo or its associated persons may not, under certain laws and regulations, be combined with those of some of Menlo's other clients. In such cases, neither Menlo nor any associated person will effect transactions in a security on the same day as clients until after the clients' transactions have been executed.

When orders are aggregated, the price paid by each account is the average price of the order. Transaction costs are allocated to each client by the client's custodian according to the client's custodial agreement. It is our policy that trades are not allocated in any manner that favors one group of clients over another over time. Client transactions may be aggregated according to custodial relationship in consideration of "trade away" charges that may be imposed if trades are directed to a non-custodial broker-dealer for execution. Aggregated trades placed with different executing brokers may be priced differently.

ALLOCATION OF OPPORTUNITIES AND POTENTIAL CONFLICTS

Because we manage more than one client account, there may be a conflict of interest related to the allocation of investment opportunities among all accounts managed by the Firm. We attempt to resolve all such conflicts in a manner that is generally fair to all of clients over time. We may give advice and take action with respect to any of our clients that may differ from advice given or the timing or nature of action taken with respect to any other client based upon individual client circumstances. It is our policy, to the greatest extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to all clients. The Firm is not obligated to acquire for any client account any security that the Firm or its owners, officers, employees or affiliated persons may acquire for their own accounts or for the account of any other client, if in the discretion of the portfolio managers, based upon the client's financial condition and investment objectives and guidelines, it is not practical or desirable to acquire a position in such security for that account.

Item 13 REVIEW OF ACCOUNTS

Individual client accounts are reviewed continuously, and not less than monthly by a senior member of the firm. Additionally, client accounts are reviewed in response to changes in the financial markets, changes in the firm's investment strategies, and/or changes in individual client circumstances. Reviews verify that client portfolios are invested and managed consistent with client objectives and guidelines. Securities that are transferred into a client's account by the client that are not on the Firm's "buy list" are identified by the portfolio manager and discussed with the client for classification purposes.

Menlo provides written quarterly reports to all individually managed clients. These reports include:

- the asset allocation of the account;
- a summary of assets held in the account (including cost and market value),
- a chronological summary of transactions during the quarter;
- a cumulative summary of annual realized capital gains and losses; and
- a calculation of the account's performance for the quarter and cumulatively since inception.

Limited partners in the Fund receive account statements not less than quarterly from the Fund's administrator, HedgeAssist, LLC. Valuations of interests in the Fund are calculated by the external accountants for the Fund on the basis of capital balance reports issued by each of the underlying private fund securities in which the Fund has invested.

At least annually, the holdings and assets of the Fund are audited by an independent accountancy firm that is registered with and regularly examined by the Public Company Accounting Oversight Board ("PCAOB"). The resulting audited financial statement is sent to the Fund's investors within 180 days of the end of the Fund's fiscal year.

Item 14 CLIENT REFERRALS AND OTHER COMPENSATION

Menlo may enter into third party marketing arrangements whereby it pays referral fees to persons or entities that refer separately managed account clients to the Firm. All such marketing arrangements will be consistent with Rule 206(4)-3 of the Investment Advisers Act as amended. Under no circumstances will solicited clients be disadvantaged by the payment of referral fees. Clients of the Firm whose accounts involve third party marketing arrangements are advised of the arrangement at the time of the solicitation and do not pay higher fees as a result of the arrangement.

Menlo has retained the services of a third-party marketing consultant whereby it pays referral fees for the referral of investors to the Skyline Partners, L.P. This marketing arrangement is consistent with Rule 206(4)-3 of the Investment Advisers Act as amended. Investors that have been referred to the Fund and for which Menlo has paid a third-party referral fee are advised of the arrangement at the time of the referral and do not pay higher fees as a result of the arrangement.

The Firm does not direct brokerage transactions to any broker-dealer in exchange for receiving client referrals. Menlo employees are not paid "sales awards" or other prizes for referring clients to the Firm.

Item 15 CUSTODY OF CLIENT ASSETS

Except as noted below, Menlo Advisors does not maintain physical custody of individually managed client funds or securities. Clients are required to set up their investment accounts with a "qualified custodian," namely a broker dealer, bank or trust company. Menlo is unable to take even temporary possession of client assets for the purpose of transferring them to the client's account. Each client has a direct relationship with their custodian and is responsible for making deposits to and withdrawals from their account as necessary.

Although Menlo Advisors does not maintain physical custody of client investment accounts, it is deemed to have custody of client assets on the basis of the Firm's authority to: 1. direct client-approved transfers of assets between a client's own accounts and if authorized, to client-designated third-party accounts; and 2. to receive payment of its investment management fees via direct payment by the client's custodian from the client's investment account.

Unlike for individually managed client accounts, Menlo Advisors, as the general partner, is considered to have custody of the investments and funds held by the Fund. Actual physical custody of all Fund assets and securities also is maintained at a qualified custodian, currently First Republic Bank. First Republic Bank maintains all Fund "cash" assets. At least monthly, First Republic Bank issues bank account statements for the Fund to the Fund's fund administrator, HedgeAssist, LLC.

As the fund administrator, HedgeAssist is responsible for compiling the capital balance reports of the underlying investments held by the Fund and along with the bank statements

from First Republic Bank, creating individual Fund investor account statements to each limited partner investor in the Fund. HedgeAssist maintains the original subscription agreements of all underlying private securities in which the Fund invests.

Disclosures Related to Custodians

Client custodians are independently owned and operated and not affiliated with Menlo and do not supervise or otherwise monitor our investment management services.

For Menlo client accounts maintained in their custody, custodians generally do not charge separately for custody but are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through them or that settle into client accounts that are held with them. In most cases, trade executions for client accounts will be made through the client's custodian to avoid "trade away" charges otherwise imposed for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through the custodial broker, and in light of our best execution evaluation, certain executions may be made at a different broker-dealer.

Custodians send account statements directly to the client (or to an independent third-party representative designated by the client), no less than quarterly, showing all funds and securities held, their current value and all transactions executed in the client's account, including the payment to Menlo of its investment management fees.

Item 16 INVESTMENT DISCRETION

Clients, including the Fund, appoint Menlo as their investment advisor and grant full trading and investment authority over their assets at the time they establish their investment accounts. Subject to the Firm's investment strategy and the client's investment objectives, our portfolio managers are given full discretion to determine:

- Types of investments;
- Which securities to buy;
- Which securities to sell;
- The timing of any buys or sells;
- The amount of securities to buy or sell; and
- The broker-dealer to be used in the transaction.

This discretion may be limited by client investment guidelines and by any investment restrictions set by the client. Where possible, the Firm will attempt to negotiate the commission rates at which transactions for client accounts are effected, with the objective of attaining the most favorable price and market execution for each transaction.

Except in the case of directed brokerage instructions, client securities transactions generally are executed through the custodian of their account to avoid "trade away" fees for trades that are executed at other broker-dealers. In some cases, a particular security may not be available through the client's custodian or available only under execution parameters or at an overall cost that makes the use of an alternative executing broker more advantageous for that transaction. In such cases, the portfolio managers have the discretion to select the broker to execute the trade.

Item 17 VOTING CLIENT SECURITIES

It is Menlo's policy not to vote proxy solicitations received on behalf of individually managed client portfolios from the issuers of securities held in client's account. Any client wishing to

review Menlo's proxy voting policies in full may request a copy from the Firm at his or her convenience.

Item 18 STATEMENT OF FINANCIAL INFORMATION

Menlo does not require or solicit prepayment of its management fees from clients six months or more in advance. There are no adverse conditions related to the Firm's finances that are likely to impair its ability to meet its contractual commitments to its clients. The Firm has never been the subject of a bankruptcy filing.