

Item 1 Cover Page

**Arin Risk Advisors, LLC**

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March 28, 2023

**FORM ADV PART 2A  
BROCHURE**

Form ADV, Part 2; our "Disclosure Brochure" or "Brochure" as required by the Investment Advisers Act of 1940 is a very important document between our clients and Arin Risk Advisors LLC.

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, serve as information you use to evaluate us (and other advisers), and factor in to your decision either to hire us or uphold the maintenance of a mutually beneficial relationship.

This brochure provides information about the qualifications and business practices of Arin Risk Advisors, LLC. If you have any questions about the contents of this brochure, please contact Lawrence Lempert, Chief Compliance Officer at 610-822-3400, or [llemper@arinllc.com](mailto:llemper@arinllc.com).

The information in this Brochure has not been approved nor verified by the United States Securities and Exchange Commission (SEC) nor by any State Securities Authority.

Additional information about Arin Risk Advisors, LLC is available at the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select "Investment Adviser Firm search" and type in "Arin"). Results will provide you both Part 1 and 2 of the Arin Risk Advisors LLC Form ADV.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Lawrence Lempert at 610-822-3400 or [llemper@arinllc.com](mailto:llemper@arinllc.com).

## **Item 2 Summary of Material Changes**

Since the publication of Arin's previous brochure dated March 23, 2022, Arin has made no material changes to the following brochure.

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## Item 4 Advisory Business

### Firm Background

Arin Risk Advisors, LLC ("Arin") operates from an office located in Conshohocken, Pennsylvania. Arin Risk Advisors, LLC was organized as a limited liability company under the laws of Delaware in 2009. In April 2010, Arin Holdings, LLC acquired Arin Risk Advisors, LLC. At the time of the acquisition, the ownership structure of Arin Holdings, LLC matched that of Arin Risk Advisors, LLC. Subsequent events resulted in ownership changes of Arin Holdings, LLC.

### Ownership Structure

The owners of Arin Holdings, LLC now include:

<u>Beneficial Owner</u>	<u>Ownership *</u>
Ryan Bailey	7%
Joseph DeSipio	43%
Lawrence Lempert	43%
Chad Levine	1%
Michael Waber	1%
Outside Investors	5%

\*percentages may not add to 100 due to rounding

Arin Risk Advisors, LLC remains 100% owned by Arin Holdings, LLC.

### Assets Under Management

As of December 31, 2022, we provide continuous management services for approximately \$345,322,591 in client assets on a discretionary basis. Please note, we report **only** the absolute value of derivatives contracts as well as the net value of any underlying or collateral assets for which we have discretion.

The collateral or notional value of certain assets are excluded when computing our assets under management. For example, a \$100 million portfolio of long stocks collateralizing the purchase of an out of the money, weekly put option may yield an AUM value of only \$10,000.

### Description of Services and Fees

We have been providing investment advisory services since 2009. These investment advisory services primarily include options overlay and volatility management for separately managed accounts. In addition, we are the investment adviser/advisor to three pooled vehicles: Alpha Architect 1-3 Month Box ETF, Alpha Architect Tail Risk ETF, and VegaEx, LP, a private, pooled investment vehicle.

We generally serve other advisory firms as well as a limited number of individual investors as they look to expand their portfolio construction and investment management processes in an attempt to enhance their current investment holdings or asset allocation programs. These firms and individuals employ options and other derivatives contracts to take advantage of the risk and reward differences between traditional asset allocation programs and the introduction of non-linear assets, such as options. We argue options and their associated usage may offer a differentiated means to protect financial assets and/or create a distinct type of return for many portfolios. We attempt to help investors earn returns through various trading strategies and trade structures designed to benefit from the return of the underlying account/asset and the expected/forecasted/implied volatility observed in the derivatives' market. Implied Volatility typically represents a differentiated source of return for most investors.

We may assist with market risk budgeting and identifying risk factors that may or may not require some form of volatility management to reshape the future, potential return distribution. We usually serve as a sub-advisor to fellow fiduciaries (e.g. bank trust departments, registered investment advisors, etc.). In addition, we may directly engage with the asset owner, power holder, and/or plan sponsor.

We typically customize the strategy for each account. We may offer strategies that allow us to allocate trades across any

number of accounts typically on a pro rata basis, based upon each account's Net Liquidation Value, number of shares, or similar pro rata allocation methodology. This allocation methodology allows us to accomplish trade for a group of accounts that follow a substantially similar objective. Under this aggregated approach, your assets remain in your name and in your separately owned account.

Please refer to the description of each investment advisory service listed below for information on how we may tailor our advisory services to your individual needs.

As used in this brochure, the words "we", "our" and "us" refer to Arin Risk Advisors, LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. In addition, you may see the term Associated Person or Investment Adviser Representative throughout this Brochure. As used in this Brochure, our Associated Persons or Investment Adviser Representatives are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

**Investment Management Services - we direct the purchase and sale of securities. You select the broker, clearing firm and/or custodian.**

**Sub-Advisory Services**

As a sub-advisor, we will manage accounts as directed by the terms of an agreement with a third-party adviser and/or institution on a discretionary basis. In these cases, we will manage the account according to the parameters conveyed to us by the third party. This means we buy, sell, and hold assets, as we deem appropriate to meet the terms under the sub-advisory agreement. The third-party adviser remains the account's primary advisor and retains the responsibility to determine the client's suitability, investment objectives, risk tolerance and other relevant information (the "parameters"). Please note, the primary advisors' selection of certain brokers, clearing firms, and custodians may impede our ability to manage your accounts.

**Separately Managed Accounts**

We may offer direct assistance with setting the parameters for an account. Under these conditions, we may serve as the primary advisor for the account. We will work with you to create account maintenance items such as investment policy statements/policies, address updates, distributions/contributions, and data requests. Clients may also retain Arin directly to provide customized portfolio management services or you may choose to have us manage accounts in accordance with one of our existing commingled strategies or any blend of these two approaches.

We generally provide investment management services on a discretionary basis. In rare instances, we may offer our services on a non-discretionary basis. This choice depends upon your individual needs. We assess your individual needs based upon the information you provide us. **It is incumbent upon you to keep us informed of any changes that may affect the manner in which we manage your assets. It is vital that we have a shared avenue of communication so we can best meet your needs.** We work with you to determine the type of contractual relationship and investment objectives most appropriate for your circumstance. In establishing your investment plan, you may elect to impose restrictions on investing in certain types of companies, securities, industries, or other criteria. You should inform us of any restrictions in writing. Your selection of an account custodian or brokerage firm may affect our ability to manage your account. You may elect to change your investment objective at any time. We will work with you to adjust your investment objective as your circumstances and market conditions may require.

Once we construct an investment portfolio for you or you select an aggregate strategy, we will monitor your portfolio's performance on an ongoing basis. We will adjust the portfolio as required by changes in market conditions and in your financial circumstances. For us to be most effective, we ask that you promptly inform us of any meaningful changes (e.g. cash flow needs, job status, marital status, dependency status, litigation, or other potential assets or liabilities) to the information you previously provided.

If you participate in our discretionary investment management services, you will grant our firm discretionary authority to manage your account. Discretionary authorization allows us to determine the asset allocation, specific securities and the amount and manner in which we buy or sell the exposure to these securities for your account, the broker-dealer to be used to execute trades, and the commission rate paid to brokers without your prior approval.

You will sign an Investment Management Agreement (“IMA”) with Arin as well as any trading authorization your account's custodian requires to grant us this discretionary trading authority. We do NOT have the ability to make withdrawals from your accounts, except for fees due under the IMA. In addition, many custodians now require you to interact with them to access or deposits funds, change physical or electronic mailing addresses and other account servicing items.

If you enter into Non-Discretionary IMA, we must obtain your approval before executing any transactions on behalf of your account. Any delay caused by the approval process may result in trade losses due to our inability to consult with you prior to trading.

We may charge for our investment management services through a percentage of assets under management method. This means on each measurement date, typically the last day of each month, we work with your custodian or brokerage firm to value your account and/or the specific assets covered under our IMA. We then multiply our agreed upon fee rate to this asset value as determined by our policy and procedures and generate an invoice. Below we outlined our standard investment management fees for each type of investment service we offer. Unless otherwise noted, the standard fees described below do not include such items as brokerage commissions, transaction charges, margin interest, hard to borrow fees, transfer taxes, exchange fees, electronic fund and wire transfer fees, taxes or fees mandated by any federal, state, or other applicable law or regulation, and certain other fees detailed below. We do not share in any revenue generated by these items.

### **Management of Collective Investment Vehicles**

#### **Alpha Architect 1-3 Month Box ETF**

We are the sub-advisor to the Alpha Architect 1-3 Month ETF, a registered exchange trade fund under the 1940 Investment Company Act. Alpha Architect 1-3 Month Box ETF (the “Fund”) is an actively managed exchange-traded fund (“ETF”) whose investment objective is to provide investment results that, before fees and expenses, equal or exceed the price and yield performance of an investment that tracks the 1-3 month sector of the United States Treasury Bill market. To do so, the principal investment strategy of the Fund will be to utilize an exchange-listed options strategy called a box spread (“Box Spread”). In order to accomplish its investment goals, the Fund may utilize either standard exchange-listed options or FLEXible EXchange® Options (“FLEX Options”) or a combination of both. Kindly refer to the Fund’s prospectus for a full explanation of the Fund’s investment objectives and risks.

#### **Alpha Architect Tail Risk ETF formerly the Arin Large Cap Theta Fund**

We are the sub-advisor to the Alpha Architect Tail Risk ETF (the “CAOS”), a registered exchange traded fund under the 1940 Investment Company Act. Arin Risk Advisors, LLC (the “Sub-Adviser”) considers a company to be a “large cap” company if its market capitalization is at least \$10 billion. The Sub-Adviser utilizes one or more combinations of long and short put and call options, such as options on securities that are linked to the performance of the S&P 500 Index (the “Index”) (these options are known as “SPX Options”) in an effort to gain broad market exposure as well as to hedge the Fund’s market exposure and generate income. Kindly refer to the CAOS prospectus for a full explanation of the fund’s investment objectives and risks.

#### **VegaEx, LP**

We are the investment adviser to the VegaEx, LP (“VegaEx”), a privately placed investment fund. The General Partner is unrelated to Arin and pursuant to Regulation D under the Securities Act of 1933, as amended privately offers interests in VegaEx. VegaEx currently relies on an exemption from registration under the Investment Company Act of 1940, as amended. Arin does not receive any compensation (outside of its management and performance fee as set forth in Item 5. While VegaEx is Arin’s client, the term “client(s)” sometimes refers to the partners in VegaEx. Participation as a partner in the VegaEx LP is restricted to investors who are “qualified clients” pursuant to Rule 205-3 under the Advisers Act, as well as those who are “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended, and “qualified purchasers” as defined under the Investment Company Act of 1940, as amended. Not all Arin clients will or are eligible to invest in VegaEx and not all VegaEx investors are Arin clients. To the extent clients qualify and it meets their specific investment needs, Arin may direct a portion of the account towards an investment in VegaEx. An investment in VegaEx as a limited partner involves a significant degree of risk, up to and including the full loss of any amount paid for any VegaEx interest. The Confidential Private Offering Memorandum, Investor Agreement, and Subscription Agreement (together, the

“Offering Documents”) details the relevant information, terms and conditions relative to VegaEx. This information includes but is not limited to suitability, limited rights of redemption, risk factors such as limited liquidity (e.g. monthly), high leverage (i.e. the use of borrowed funds or discounted future liabilities), and potential conflicts of interest. Each investor is required to receive and/or execute prior the appropriate sections of the Offering Documents prior to admission as an investor in VegaEx. For additional information regarding the VegaEx, please refer to the Offering Documents.

VegaEx is an actively managed, opportunistic investment program seeking to optimize various volatility and/or arbitrage trading strategies. VegaEx may also seek to exploit relative levels of implied volatility within a given security, between two securities, or between a security or group of securities and an index. VegaEx’s net exposures may leave accounts exposed to equity market moves and/or changes in the overall level of equity market actual/implied volatility. In addition, leverage or the use of VegaEx assets as collateral imposes certain incremental risks as stated in the sections entitled “Funding Risk”, Hard to Borrow Risk, Traditional Margin and Portfolio (Risk Based) Margin Risk. For more information on the VegaEx, please refer to VegaEx Strategy in Item 8 below.

**Investment Consulting Services - we serve as your primary advisor but direct and coordinate your investment management with third party managers, in whole or in part.**

On very rare occasions, we offer limited investment consulting services, which primarily involve advising clients on specific financial-related topics. Consulting services may include, but are not limited to, development of investment policy statements, asset allocation advice, and the due diligence and evaluation, selection, monitoring, risk assessment, performance measurement of third-party investment managers; advice and analysis on specific investments or business transactions; credit analysis; business valuation; and limited financial planning.

**Selection of Other Advisers**

On very rare occasions, as part of our investment advisory services, we may recommend the use the services or products offered by third party money managers ("MM") to manage all, or a portion of, your investment portfolio. After gathering information about your financial situation and objectives, we may recommend you engage a specific MM. Factors that we take into consideration when making our recommendation(s) include, but are not limited to your financial needs, investment goals, your risk tolerance, the MM(s)' investment objective, the MM(s)' fees, the MM(s)' method of analysis. We will periodically monitor the MM(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives.

You may be required to sign a separate IMA with the recommended MM(s). You may only terminate your advisory relationship with the MM according to the terms of your IMA with the MM. You should review each MM's disclosure brochure and IMA for specific information on fees, risks, and how you may terminate your advisory relationship with the MM and how you may receive a refund, if applicable. Not all MMs permit clients to terminate, “at will”. Some managers may restrict the number of occasions when investors may terminate their contract or demand funds from their account. You should contact the MM directly for questions regarding your IMA with the MM. Based upon your selected custodian or brokerage firm, your MM choices may be restricted.

**Types of Investments**

We do not primarily recommend one type of security or contract over another. We generally recommend various types of securities and contract types, as your circumstances require. You may request that we refrain from investing in particular types of securities or companies or use the services of particular custodians or brokerages. You must provide these restrictions to our firm in writing. These restrictions may affect our ability to manage your assets.

**Item 5 Fees and Compensation**

**Fees for Separate Accounts**

Our standard fee schedule for investment management services defines the fee for each type of strategy we offer. Some strategies use Assets under Management as the basis for the fee and others use the return enhancement or cost savings as the basis for the fee:

Strategy	AUM Fee	Performance Fee	Basis for Determining the Fee
Bespoke	0.00-2.50%	0.00-50.00%	Assets and/or Cost Savings and/or Return Enhancement above High-Water Mark
Dynamic Hedge	0.20-0.80%	0.00-50.00%	Notional Value of the Assets/Exposure

Enterprise Risk Management	0.05-0.50%	None	Firm-wide Pre-Hedge Risk Weighted Assets
General Portfolio	0.20-0.95%	0.00-30.00%	Assets
Option Overlay	0.40-0.80%	None	Assets and/or Collateral
Theta	0.40-0.60%	None	Assets
VegaEx	1.50%	15.00%	Assets and Return above High-Water Mark
Yield Hawk	0.00-0.50%	0.00-50.00%	Cost Savings and/or Return Enhancement

While our general policy to charge the stated fees above, your fees may be subject to negotiation or modification depending upon the nature of the services provided or your particular circumstances.

We will quote an exact fee percentage for each account based on both the complexity and expected effort to manage your account. At our discretion, we may combine the account values of related parties to determine the applicable advisory fee. For example, we may combine account values for you, your spouse, your trusts, your other family members and/or retirement/business accounts.

Unless otherwise arranged, we bill in arrears based upon the value of the assets in your account(s) on the last day of the month or calendar quarter, as our agreement specifies.

If we execute our agreement at any time other than the first day of the calendar month depending upon the terms of our agreement, we will pro rate our fees. This means we will bill you for the partial month of service; our advisory fee is payable in proportion to the number of days in the month for which you are a client.

In lieu of or in addition to the fees stated above, if you have a net worth greater than \$2,000,000 or if we manage at least \$1,000,000 of your assets, we may agree on a negotiable performance-based fee ("PBF"). The PBF only applies to certain strategies and ranges from 10% and 50% of the appreciation of your account value each month or in some cases, each year. The PBF is subject to a high-water mark. A high-water mark means you will only pay a PBF to the extent the account value, when adjusted for contributions and withdrawals, exceeds the highest account value reached over the entire measured value history of the account. Each monthly measurement date, each annual measurement date, or termination date results in the opportunity for us to bill the PBF, subject to the high-water mark. Since we need to know if the account exceeded the high-water mark, we bill PBF in arrears.

PBFs may cause a potential for conflict of interest. A PBF may create an incentive for us to make investments that are riskier or more speculative than would otherwise be the case absent a PBF. In certain cases, we may charge a lower (or no) base management fee in conjunction with a higher PBF.

### **Fee Payment Options for Accounts**

There are two options for you may to pay for our services:

1. Direct Debiting (preferred) - at the inception of our relationship and typically, each month thereafter, we will notify your custodian of the amount of the fee due and payable to us as provided by the IMA. The IMA you execute with us provides a pre-approval to "deduct" our fees from your account. If you have more than one account, you can designate the specific account(s) to pay our advisory fees. Unless you specifically retain them to do so, your custodian does not validate nor confirm the fee calculation, including the asset values that serve as the basis for the fee calculation. We provide you with a copy of the invoice submitted to the custodian.

Most custodians will make available to you a monthly activity statement. This statement presents all of your account(s) transactions, positions, and credits/debits into or from your account; including advisory fees paid to us and if applicable MM(s).

2. Pay-by-check (preferred for tax-deferred accounts) – at the inception of our relationship and each month thereafter, or in some cases in each quarter, thereafter, we will issue an invoice for our services. This invoice is due upon receipt. You may pay by check or electronic funds/wire transfer, as negotiated and documented in your IMA.

### **Fees Due Upon Termination**

Either party may terminate the IMA for any reason upon 30- days' written notice to the other. You will incur a pro rata charge for services rendered until the termination date of the IMA. This means you will incur advisory fees only



in proportion to the number of days in the billing period during which you remain a client. Any prorated balance will be refunded to you. Upon notification of termination and under your direction, we will assist you with the method of closing any open positions to minimize risk levels and to preserve capital. Unless you notify us otherwise in writing, we will cease to open new positions for the account as of notification to terminate date. There is no assurance the account will retain its value from the notification to terminate date through to the actual withdrawal date.

#### **Alpha Architect 1-3 Month Box ETF - BOXX**

As compensation for the investment advisory services provided to the Theta Fund, we receive a monthly fee based on the Theta Fund's average daily net assets at the annual rate up to 0.09%, subject to certain restrictions. For Arin clients, we exclude the value of this fee on any assets invested in the BOXX Fund when calculating our IMA fee.

#### **Alpha Architect Tail Risk ETF - CAOS (formerly the Arin Large Cap Theta Fund)**

As compensation for the investment advisory services provided to the CAOS Fund, we receive a monthly fee based on the CAOS Fund's average daily net assets at the annual rate up to 0.40%, subject to certain restrictions. For Arin clients, we exclude the value of this fee on any assets invested in the CAOS Fund when calculating our IMA fee.

#### **VegaEx LP**

For our services as investment adviser to VegaEx LP, we charge 150 basis points or 1.50% per annum of the value of VegaEx's assets on the last day of the month. We may earn a performance fee that permits the general partner of VegaEx LP to pay up to fifteen percent (15.0%) of the fund's highest incremental net asset value or Net New High. The Offering Documents describe this calculation. Please refer to the Offering Documents for a more complete discussion of the fee for VegaEx. For Arin clients, we exclude the value of any assets invested in VegaEx when calculating our IMA fee.

#### **Fees for Sub-Advisory Accounts**

The agreement between your primary financial advisor, for example a bank, a trust company, a registered investment adviser, a broker-dealer, a consulting firm, and us determines the applicable fee rate. We generally have no knowledge of the fee you pay your primary financial advisor. The primary financial advisor may collect a total advice fee from you or your account on a routine basis and remit only a portion of that fee to us or they may separately bill you for the services we provide. Our base investment management fee for investment advisory services ranges from 0.20% to 1.50% of the assets under management depending upon the level of complexity we undertake on your or your primary advisor's behalf. We determine the investment management fee as a function of the service/strategy, the expected time to manage the assets, and the restrictions imposed upon us to implement the service/strategy.

Under some contractual agreements, the primary financial advisor and Arin each charge and collect a separate fee for our respective services. In this circumstance, you will execute an IMA with your primary advisor and a separate IMA with Arin. We may remit a portion of our fee to the primary advisor for their marketing and relationship management support.

#### **Investment Consulting Services**

On rare occasions, we will enter into an Investment Consultant Agreement ("ICA") to provide investment-consulting services. The ICA will define our fees for your particular project. We may charge an asset-based fee of up to 1.50% per year of the assets under advisement, a billable rate of \$400 per hour, a fixed fee ranging from \$500 to \$20,000 per month, or some combination of these fee structures. Our fees are negotiable and the timing of payment due for this service depends on the scope and complexity of services declared in the ICA. Your ICA defines the rate and terms for payment. We may charge our consulting fees, in advance, upon completion of the task, or some combination of these payment terms. We will not require prepayment of a fee more than six months in advance or in excess of \$1,200.

The ICA will provide an estimate of the total time and cost for the consulting relationship. In limited circumstances, the time and cost could potentially exceed the initial estimate. In such cases, we will notify you and request your approval for any additional fee.

Either party may terminate the ICA for any reason upon 30-days' written notice to the other. You will incur a pro rata charge for services rendered until the termination of the ICA. This means you will incur ICA fees only in proportion to the number of days in the billing period during which you remain a client.

A balance under \$100 is not refundable and not subject to proration. Upon notification of termination and under your direction, we will assist you with the method of closing any open positions to minimize risk levels and to preserve capital. Unless you notify us otherwise in writing, we will cease to open new positions for the account as of notification to terminate date. There is no assurance the account will retain its value from the notification to terminate date through to the actual withdrawal date.

### **Selection of Other Advisers**

Advisory fees charged by MM's are separate and apart from our advisory fees. For selection of other advisers, we charge an annual fee of 0.50% for assets up to \$25 million and 0.30% for assets over \$25 million. We bill accounts monthly and in arrears based on the market value of assets managed by the MM on the last trading day of each measurement period.

Advisory fees you pay to the MM are established and payable in accordance with the IMA provided by each MM with whom you invest. These fees may or may not be negotiable. You should review the recommended MM's disclosure brochure and IMA and take into consideration the MM's fees along with our fees to determine the total amount of fees associated with this program.

### **Additional Fees and Expenses**

Advisory fees payable to us represent our charges to manage your account. In addition to our fees, you or your account will pay various direct (explicit) or embedded (implicit) fees to third parties. An example of a direct fee includes a brokerage commission. An example of an embedded fee includes the markup on bonds. Your activity statement or trade confirmations should disclose any direct fees. Embedded fees are most likely to be located in an investment's offering document, such as a prospectus. We do not share in direct nor embedded fees.

You may also incur some or all of the following fees and/or expenses. You or your account may pay these charges to third parties. These fees are not shared by us except in the case of an Arin sponsored commingled vehicle.

Regardless of account activity, some fees may be due from you or your account. Certain fees charged at the fund level, the sub-advisory level, and/or the broker-dealer/custodian level include items such as:

- Advisory fees and administrative fees charged by Mutual Funds (MFs), Exchange Traded Funds (ETFs), Hedge Funds, or other commingled products;
- Advisory fees charged by sub-advisers or MM's;
- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- United States Securities and Exchange Commission and Options Clearing Corporation fees;
- Margin Interest, including "Hard to Borrow" charges;
- Custodian and/or Safekeeping Fees;
- Deferred sales charges (on e.g. mutual funds or annuities);
- Odd-Lot differentials on certain stock and bond transactions;
- Transfer taxes;
- USA and foreign Income and Capital Gains Taxes;
- Wire and/or ACH transfer and other electronic fund processing fees;
- Maker/Taker Fees;
- Commissions, spreads, or mark-ups/mark-downs on security transactions.

Broker-dealers or custodians may charge your account transaction fees based upon the trading and/or clearing services they provide. The charges and fees may be either explicit, hard dollar levies or implicit, soft dollar levies such as price and volatility spreads. We do not share in any portion of the brokerage fees/transaction charges imposed by broker-dealers or custodians.

To fully understand the total cost, you will incur for investing your funds, you should review all the fees charged by mutual funds, exchange traded funds, hedge funds, or other commingled products, brokerages, banks, trust

companies, MMs and others in addition to the fees you pay Arin. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Disclosure Brochure.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

We charge some accounts Performance Based Fees ("PBF"). We may simultaneously manage perhaps with similar objectives that do not wish to participate in a PBF. This is called "side-by-side management". PBFs and side-by-side management may create conflicts of interest. We identify and describe some of these conflicts in the following paragraphs.

PBFs may create an incentive for our firm to make riskier or more speculative investments than we might otherwise make in the absence of PBF. In order to address this potential conflict of interest, a senior officer of our firm periodically reviews client accounts to ensure investments are suitable and that the account is being managed according to the client's investment objectives and risk tolerance.

PBFs may also create an incentive for our firm to overvalue investments that lack a market quotation. In order to address such conflict, it is the policy of our firm to "fairly value" any investments, which do not have a readily ascertainable value. However, we generally defer to your custodians' appraised value of assets where there is no readily available market price quotation.

Side-by-side management might provide an incentive for our firm to favor accounts for which we receive a PBF. For example, we may have an incentive to allocate limited investment opportunities to PBF based clients rather than those who pay asset-based fees. To address this conflict of interest, we generally trade account that follow similar investment strategies as a group. If there are instances when it is inefficient or unfeasible to fill the order for all accounts, we attempt to allocate the trades based upon Net Liquidation Value, open or targeted exposure levels, or other manner unrelated to the fee calculation.

## **Item 7 Types of Clients**

We provide our services to a number of Clients:

- Institutions
- Individuals, including High Net Worth Individuals
- Corporations or other business entities
- Endowments, Foundations, and Trusts
- Private Pensions and Profit-Sharing Plans (ERISA)
- Sub-advisory Relationships to other Registered Investment Advisors
- Registered Mutual Fund
- Pooled Investment Vehicles such as hedge funds

**In general, we do not require a minimum dollar amount to open and maintain an advisory account.** However, we reserve the right to terminate your account if it falls below a minimum size, which, in our sole opinion, is too small to manage effectively.

Certain custodians or brokerages may impose minimums, which we do not control.

Some of our strategies require the use of and access to Portfolio or Risk Based Margin - described below. To qualify for this specific type of margin, custodians may impose a minimum account, which we do not control.

VegaEx requires investors invest a minimum of \$100,000, which the General Partners may waive. We do not control this decision.

Arin Large Cap Theta Fund requires investors invest a minimum investment. Each shares class and account custodian/broker dealer set the minimum purchase amount, which may be above those amounts listed in the prospectus. For Fund investors making direct purchases (i.e. mail in or paper orders), the StarBoard Investment Trust in its sole discretion may adjust the minimum purchase amount. We do not control any of these decisions.

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

### Introduction to Methods of Analysis and Investment Strategies

Our principal methods of security analysis are professional judgment, intelligent augmentation, and quantitative analysis. We make an evaluation of available investment opportunities using such measures including, but not limited:

- Arin's team attempts to measure the "fair value" for option prices;
- dividend record and payment dates;
- credit default probability;
- if applicable, counterparty credit rating; and
- other factors as deemed necessary, from time to time.

### Methods of Analysis

Our firm's basic buy/sell rule for each position centers on a proprietary augmented intelligence system called "True Vol". True Vol is a flexible, combinatory approach to trade identification. **However, trader discretion and judgment remain the ultimate determinant.** We consider technical indicators, financial measures, risk factors, geopolitical events, market prices, among other inputs. We view positions, portfolios, and aggregate risks in terms of political, economic, and financial exposures. We believe this multi-level approach enables us to create customized overlays for our clients seeking a reasonably assured net after-tax, risk adjusted rate of return with the flexibility to adapt to changing account needs and market conditions.

In addition to analysis listed above, we may also evaluate your holdings in terms of asset allocation and/or investment goals. This evaluation determines how we distribute assets among stocks, bonds, currencies, international assets, real assets, and private investments. We then determine how to gain access to the exposure through either the cash market (e.g. shares of stock), synthetic market (derivatives such as options or futures), or a through some combination of these two.

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Customization  
Most often, our investment strategies and advice vary depending upon each client's specific financial situation. We determine investments and allocations based upon your expressed objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, legal constraints, your unique circumstances and other various suitability factors. We realize you may have several investment goals that require simultaneous attention. We may elect to combine all of these objectives across all of your accounts or simply designate certain accounts for specific goals. Your restrictions and guidelines may affect the composition and performance of your portfolio.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend you continuously consult with a tax professional prior to and throughout the investment cycle of your assets.

Please note the Internal Revenue Service requires custodians and broker dealers to report the cost basis of equities acquired in client accounts on or after January 1, 2011. Many custodians use the FIFO (First In, First Out) accounting method as the default method for calculating the cost basis of your divested investments. **You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you.** If your tax advisor believes another accounting method is more advantageous, please provide written notice to your favored custodian and/or brokerage firm as well as to Arin. Custodian and broker dealers typically require accounts notify them of any change in the cost basis accounting method before trades settle, since after the settlement date there is generally no means to adjust the cost basis method.

- Fundamental Analysis - Fundamental analysis involves analyzing certain financial reports issued by companies and by firms who analyze these reports. These reports include information about the firm's income statement, balance sheet, and statement of cash flow. Additional data includes a review of the, industry status, , company's management

reputation, and the outlook for the company's industry. We use this data to approximate the company's stock value compared to the current market price. The risk of fundamental analysis is that information obtained may be incorrect, incomplete, or not replicated in future reporting periods. These flaws may lead to an analysis that provides an inaccurate estimate of future earnings and/or an inappropriate risk adjusted interest rate to discount the expected, future cash flows, which may be the keys for deriving a stock's current value. If securities' prices rapidly adjust to new information, utilizing fundamental analysis may not result in favorable performance.

- **Technical and Charting Analysis** - Technical Analysis involves studying past price patterns and trends in the financial markets to assist in the relative attractiveness of both the overall market and specific assets. Charting analysis involves the gathering and processing of historical information such as prices and moving averages for a particular asset or relative to another asset or index. We analyze this historical information using certain rules or mathematical equations. The resulting charts, tables, and equations may offer us the ability to make some qualified judgment of the asset's relative value. We may combine a single data point or series of points and measures as inputs into the decision-making process. The risk of technical analysis is that charts and graphs based upon historical information may not accurately predict future price movements. Current prices of securities may already reflect all information known about the security. Day-to-day changes in the market price of securities may follow random patterns and may thereby limit the predictive power well below the required any reliable degree of accuracy. **Past performance is not indicative of future results.**
- **Secular and Cyclical Analysis** - Secular and Cyclical analyses are types of factor model analysis that involves evaluating various inputs for each sector/industry to determine the risk adjusted attractiveness of a certain sector/industry relative to another. Broad economic/business cycle measures also play a role. These measures include macroeconomic datum such as the trend and estimates for Gross Domestic Product, Consumer Price Index, Unemployment Rate, among others. The length of an economic cycle may be difficult to predict with any degree of accuracy. These measures may not be predictive and may fluctuate too sporadically when an economy's trend shifts from long-term expansions and contractions due to either fiscal, monetary, or regulatory policies. The risk of cyclical analysis is the meaningful impact of an exogenous event and the inherent difficulty in predicting the newly revised economic trends. Consequently, the changing trends effect on a securities value is difficult to know in advance, even if one were able to capture the correct timing of such a shift. Past performance is not indicative of future results.
- **Long Term Purchases** are securities purchased with the expectation that the value derived from those securities either through its income stream (dividends, interest); the growth in its income stream; growth in the valuation multiple assigned to the income stream (P/E ratio expansion), or its expected pattern of returns (implied volatility) will increase with time. We generally expect to hold these assets greater than one year.
- **Short Term Purchases** - We often use short-term trading. We generally expect buying and selling these securities within 365 days. If we determine it is suitable given your stated investment objectives and tolerance for risk, we may reduce the holding period for some trades or engage certain strategies that effectively lock in short term returns. Short term trading may include frequently buying and selling securities in an attempt to capture the perceived valuation discrepancies within an asset's available classes of securities (e.g. stock versus options), between two distinct assets, and/or between an asset and a market basket or synthetic index (i.e. a basket of securities held by an Exchange Traded Fund). There is no assurance these valuation discrepancies are actual or the discount/premium may be based upon information unknown to us. Further, the discrepancy may increase beyond the original point where we recognized the discrepancy that will result in a negative return. Additionally, frequent trading can negatively affect investment performance, particularly through increased brokerage fees and taxation.

### **Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we may elect to recommend all types of securities for various purposes since each client has different needs and different risk tolerance. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Risk can generally be categorized as a permanent and unrecoverable loss of capital or risk can be a statistical measure of how volatile the realized or expected returns are from the portfolio or each individual asset. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Overall, our investment strategies often involve both the cash (stocks, bonds, mutual funds, exchanged traded funds,

etc.) and derivatives (options, futures, swaps, etc.) markets depending upon current and expected pricing. We generally consider how each asset will affect the total portfolio we manage for you or in concert with your financial advisor. This may result in certain assets that gain while others lose. We may transact in the cash or derivatives markets to help manage overall risk or to gain/reduce investment exposure on your behalf. We may use both exchange traded derivative instruments such as options, FLEX options (customized but listed on an exchange), futures, etc., as well as over the counter or non-exchange traded instruments such as forwards, swaps, structured notes, and other negotiated derivative contracts. Over the counter or non-exchange traded values may be difficult to secure and may require an estimate that may not reflect of the contract's actual value or credit risk.

A derivative is a security whose price is dependent upon, or derived from, one or more underlying assets or its actual or expected price movements. The derivative itself is merely a contract between two or more parties. Asset's directional movements, the magnitude of those moves, the time during which the moves have or are expected to occur each contribute to determining the contract's value. The value of many contracts is most sensitive to expected fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Most derivatives are characterized by high leverage that can increase the level of risk through a magnification of adverse price action. Derivatives can be used to hedge risk, speculate, or replace an existing/proposed asset exposure.

## **Investment Strategies**

### **Bespoke**

Arin will assist in targeted trade design and ongoing management to meet a specific client's needs in a manner consistent with the client's risk tolerance and qualification. Examples of this type of trading include but are not limited to currency and commodity trading/hedging, stock and bond replacement, pre/live/post market hours futures trading, dividend capture, as well as dispersion and correlation trades.

Our fee for Bespoke investment management services range from 0 basis points to 100 basis points or 0% to 1.00% per annum with or without a potential performance fee of up to 50% of the trade's profit. The trade's profit means the net financial benefit to the client on trades on behalf of the account for the given period. Trade profit may mean an actual profit to the client, or a cost savings that accrues to the client. Only "Qualified Clients" may be charged PBFs.

### **Dynamic Hedge**

For clients who seek to protect their portfolio or asset from a decline in market value, Arin may construct any number of trades to reduce or offset the downside risk of retaining a portfolio or asset. Examples of accounts requiring this strategy include concentrated holdings, low basis stock, general market concern, interest rates, among others. These trades may cause the account to expend value to cover the insurance feature embedded in this strategy or the account may suffer an opportunity cost of failing to participate in upward movement in the value of the portfolio. These factors may cause significant under performance over an extended period. Accounts may adjust their desired level of protection by informing us in writing of any material change to the mandate. It is usually best to review in tandem the underlying holding as well as the hedging vehicle. In addition to other risks stated within this document, accounts may be subject to basis risk and tax risk. Accounts should carefully consider tax mismatching and additional expenses prior to commencing the strategy.

Our fee for Dynamic Hedge investment management services range from 20 basis points to 80 basis points or 0.20% to 0.80% per annum with or without a potential performance fee of up to 50% of the trade's profit. The trade's profit means the net financial benefit to the client on trades on behalf of the account for the given period. Trade profit may mean an actual profit to the client, or a cost savings that accrues to the client. Only "Qualified Clients" may be charged PBFs.

### **Arin Enterprise Risk Management ("AERM")**

AERM is a firm-level risk management solution. AERM seeks to protect a fee based advisory firm/family office/bank trust department's revenue and financial flexibility in times of adverse market conditions or elevated capital market volatility. AERM is available to investment advisors, bank trust departments and other fee based entities.

AERM attempts to assist financial advisory firms in protecting their firm's revenue should the capital markets (stock, bond, etc.) significantly decline in value. Many advisors charge their clients a fee based upon the Asset under Management ("AUM"). Should AUM decline, this results in a risk to the investment advisor's revenue. AERM does

and will have Basis Risk. Basis risk is the lack of perfect correlation or dollar for dollar offset between the advisory firms' asset/revenue mix and Arin's hedging strategy. We attempt to measure the amount of net market exposure across advisor's total revenue base but this data may be subject to significant delays. This lack of complete information comes from changes in the firm's client roster, make up of underlying assets, and cash flows affecting the accounts. Further, even if we did have perfect clarity, we would find it very difficult to match losses with gains across all market environments. We tend to use options and short sales as the primary investment tools to help us manage accounts under AERM.

Our fee for AERM ranges from two basis points (you report the risk statistics and levels) to 20 basis points (we calculate risk measures) or 0.02% to 0.20% per annum.

### **General Portfolio Management**

Arin's General Portfolio Management strategy enables you to work with us to build a portfolio intended to meet your investment goals. We meet with you, collect information, create an asset allocation plan, and then select securities. The account will deviate from your target allocation over time as prices change and valuation levels fluctuate over time. We may or may not create an investment policy statement describing how we will invest, measure performance, and identify conditions unique to your account.

The asset classes we consider may include equities, fixed income, commodities, currencies, real estate, hedge funds, collectibles, other private investments based around the world including USA, developed international, emerging, and frontier markets. We may access these asset classes through individual securities, commingled vehicles (e.g. exchange-traded funds), separate account managers, and/or derivatives (e.g. options). The manner in which we gain access to an asset class considers holding period, fees, taxes, and custodian limitations, among others.

Our fee for General Portfolio Management investment management services range from 20 basis points to 95 basis points or 0.20% to 0.95% per annum with or without a potential performance fee of up to 30% of the account's profit. The account's profit means the net financial benefit to the client from the trading in the account for the given period. Only "Qualified Clients" may be charged PBFs.

### **Option Overlay – Customized Overlay**

For Option Overlay accounts, Arin seeks to create a differentiated source of return for many investors. There is no singular "Option Overlay" strategy. The primary source of the return is the spread between implied volatility or movement priced within a given option contract and the actual magnitude of the movement of the underlying asset. We may use covered calls or call spreads, short puts or put spreads, long calls and calls spreads as well as long puts and put spreads. We often combine several of these trade structures on a ratio basis that is not always perfectly aligned with the underlying assets in an effort to enhance return of the underlying collateral. The collateral can be cash and/or securities. Each custodian and clearing firm will have rules that influence the manner in which we are able to trade on behalf of an account. If the clearing firm's rules are too onerous, account performance may suffer. If a MM manages your account, the MM may restrict how we can trade.

There may be periods when these trades underperform the collateral. This underperformance can come from either trading losses or capping the upside participation. It is best to review the account performance after a full market cycle, including up and down markets, low and high realized and implied volatility levels as well as slow shifts and sudden shifts in these regimes. We expect many option overlay trades to underperform when the underlying asset's price surges higher with low implied volatility. We expect many option overlay trades to outperform when the asset's price declines or moderately rises.

Our fee for Option Overlay investment management services range from 40 basis points to 80 basis points or 0.40% to 0.80% per annum.

### **Theta – Index Linked Overlay**

Theta seeks to enhance relative return of portfolios benchmarked to any number of Broad Market Composite or "BMC", e.g. Standard and Poor's 500 Stock Index, EAFE, REITs, etc. You may allow Arin to vary and/or combine active or passive BMC exposure with Arin's Option Overlay. Theta may invest in a portfolio of common stocks, exchange-traded funds ("ETFs"), options and futures contracts to linked to the return of the BMC, while also engaging in option trades we believe will be profitable due to perceived pricing discrepancies. Theta typically seeks to source its return from anomalies or relative price differentials offered through varying segments of the options market. The percentage of assets invested in and the manner in which these securities will change from time to time

as Arin deems appropriate based on its analysis and allocation models. Arin then uses option-trading techniques to derive incremental returns from underlying assets held in the strategy. Arin identifies trading opportunities by analyzing the volatility of contracts tied to the strategy's underlying assets. The time to expiration, presumed dividend payments, level of interest rates, expected return volatility of the underlying/referenced asset during the contract period primarily determine an option contract's price or premium. By analyzing the implied/forecasted volatilities of various option contracts, and comparing them to the implied/forecasted volatilities of a historically correlated security, we attempt to identify situations where one option is relatively overvalued. Arin then may establish a long position in a "cheap" or "fair value" option and a short position by selling the "expensive" option. We may also employ other option trading strategies that may benefit from the relative richness or cheapness of option prices. In selecting the options for Large Cap Theta, Arin first identifies exchange-traded options with sufficient trading volume to preclude our trades from materially influencing prices. We then evaluate the available investment opportunities and use Arin's True Vol proprietary pricing algorithm to assist Arin's traders in determining when to buy and sell options. Arin may allocate a portion of client capital to short-term, investment grade fixed income instruments, including United States Treasury Bills, money-market instruments, money-market mutual funds and/or Arin's Yield Hawk (described below). During certain periods, based on market conditions, Arin may elect to not trade options in a client's account. This lack of activity may lead to performance that fails to track that of the index. We can follow a similar routine for other BMCs as clients request.

There may be periods when these trades underperform the index. This underperformance can come from either trading losses or capping the upside participation. It is best to review the account performance after a full market cycle. We expect most Theta trades to underperform when the underlying index's value surges higher. We expect most Theta trades to outperform when the index's value declines or moderately rises.

Our fee for Theta investment management services range from 40 basis points to 60 basis points or 0.40% to 0.60% per annum.

#### **Option Index Replication – BXM, BXY, CLL, CLLZ, PUT, EAFE, REIT, etc.**

Arin will attempt to mimic the holdings, the trading, and the return of any pre-defined strategy to match the Option Index Replication ("OIR") related index. For example, BXM is an OIR that sells an at the money, monthly BMC call option against a long BMC exposure while the PUT is another OIR that sells a monthly BMC put option and holds all its collateral in Treasury bills. BXY is an OIR that follows a similar construct of the BXM except it sequentially sells a two percent out of the money, monthly BMC call while holding an exposure to the BMC. Since an exact tradeable strike may not exist for any BMC replication or a market may not exist for each component required to replicate the OIR. This may lead to under performance or out performance for any given measurement period.

Our fee for Theta investment management services range from 10 basis points to 30 basis points or 0.10% to 0.30% per annum.

#### **VegaEx**

Arin's VegaEx Strategy ("VegaEx") is an actively managed, opportunistic investment program seeking to optimize various volatility or other arbitrage style trading strategies and periodically employs other tactical trading strategies (e.g. dividend capture, merger arbitrage, etc.). VegaEx seeks to exploit relative levels of implied/realized volatility within a given security, between two securities, or between a security or group of securities and an index. VegaEx net exposures may leave accounts exposed to equity market moves and changes in the overall level of equity market volatility. VegaEx attempts to reduce the impacts to the strategy from changes in the overall level of equity market volatility. Dynamic hedges and risk-defined option trade structures reduce the directional risk of extreme market moving events. VegaEx is typically appropriate for investors seeking additional sources of return that are unrelated to equity market valuations with higher levels of account variation than a fully hedged options' portfolio. VegaEx seeks to achieve its investment objective by utilizing various trading techniques with a portfolio of long and/or short options, common stocks, fixed income securities, commodities, exchange traded funds ("ETFs"), index related instruments, customized baskets of securities, and short-term instruments.

VegaEx principally involves trading options based on market changes in the implied volatility of each contract. The market price of an option is partially based on the expected volatility, or potential variation in price over time, of its underlying asset. By analyzing the implied/forecasted volatilities of a security, and comparing them to the implied/forecasted volatilities of a historically correlated security, the traders attempt to identify situations where an option on one security is believed to be relatively undervalued and an option on the other security is believed to be



relatively overvalued.

In selecting the options that VegaEx will trade, the traders first identify exchange-traded options with a trading volume sufficient to preclude VegaEx's trades from influencing prices. The traders next evaluate the available investment opportunities and uses a proprietary trading algorithm to assist them in determining when to buy and sell options. The traders may also create hedges, primarily utilizing options, common stocks, futures and ETFs, in an attempt to offset the risk of extreme price movements in the securities underlying the traded options. Such price movements affect the ability of the traders to implement successfully VegaEx's investment strategy. VegaEx seeks to maintain exposure levels that may or may not be neutral to market movements and volatility levels.

Arin may allocate a portion of client capital to short-term, investment grade fixed income instruments, including United States Treasury Bills, money-market instruments, money-market mutual funds and/or Arin's Yield Hawk (described below). when they believe the options' markets offer limited investment opportunities. VegaEx may hold short-term instruments for an extended period while waiting for other attractive investment opportunities.

Our fee for VegaEx investment management services range is 150 basis points plus a potential performance fee of up to 15% of the account's profit. The account's profit means the net financial benefit to the client from the trading in the account for the given period, subject to a lifetime high water mark. Only "Qualified Clients" may be charged PBFs.

### **Yield Hawk**

Arin's Yield Hawk offers a competitive financing alternative for clients through actively managed positions in exchange traded options. Since most investors routinely borrow from and lend to brokerages, banks, and shadow banks, we utilize the options market to seek to decrease borrowing costs and increase lending yields. We may borrow or lend money through a combination of exchange listed call and put options. In order to minimize credit and counter party risk, we use listed or exchange traded options that clear through the AA rated Options Clearing Corporation.

Arin's fee for Yield Hawk investment management services ranges from 0 to 50 basis points plus a potential performance fee of up to 50% (fifty percent) of the increase in incremental lending rate or fifty percent (50%) of the decrease in the incremental borrowing rate 50% of the account. Only "Qualified Clients" may be charged PBFs.

### **Risk Factors**

#### **General Risks**

Investing in securities always involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives can or will be met. Past performance is in no way an indication of future performance. We also cannot assure that third parties will satisfy their obligations in a timely manner or perform as expected or marketed.

**General Market Risk.** Each strategy's value and investment return will fluctuate based upon changes in the value of its portfolio securities. Certain securities held may be worth less than the price originally paid for them, or less than they were worth at an earlier time.

**Equity Securities Risk.** Each strategy's investments in common stocks, both directly and indirectly through investment in shares of ETFs or other comingled vehicles, may fluctuate in value in response to many factors, including, but not limited to, the activities of the individual companies, general market and economic conditions, interest rates, and specific industry changes. Such price fluctuations subject certain strategies to potential losses. During temporary or extended bear markets, the value of common stocks will decline, which could also result in losses for each strategy.

**Trading Strategies based on Volatility.** Trading strategies based on volatility, such as realized or implied, are difficult to implement and require successful monitoring, modeling, and sometimes rather immediate interpretation of market conditions. Trading opportunities may be short-lived or limited as a result of a low trading volume in exchange-traded options. Due to a lack of opportunity or market liquidity, there may be extended periods of time in which accounts hold elevated cash balances or experience no trading activity. Transaction costs and taxes can have a significant impact on the profitability of these trading strategies.

**Portfolio Turnover Risk.** Under normal circumstances, the anticipated portfolio turnover rate for most of Arin's strategies is expected to be more than 100%. High rates of portfolio turnover could lower performance of the strategy due to increased costs and may result in the realization of capital gains. If the strategy realizes capital gains when it sells its portfolio investments, it will increase taxable distributions to you. High rates of portfolio turnover in a given year would likely result in short-term capital gains and under current tax law you would be taxed on short-term capital gains at ordinary income tax rates, if held in a taxable account.

**Non-Diversified Strategy Risk.** Because some of Arin's strategies are non-diversified, it will invest a greater percentage of its assets in a particular issuer and will own fewer securities than a diversified strategy. Accordingly, each strategy is subject to the risk that a large loss in an individual issuer will cause a greater loss than it would if the strategy held a larger number of securities or smaller positions sizes.

**Model Risk.** Financial and economic data series are subject to regime shifts, meaning past information may lack value under future market conditions. Models are based upon assumptions that may prove invalid or incorrect under many market environments. Arin's uses certain model outputs to help identify market opportunities and/or to make certain asset allocation decisions. There is no guarantee any model will work under all market conditions. For this reason, we include model related results as part of our investment decision process but we often weigh professional judgment more heavily in making trades or asset allocations.

**ETF or Other Comingled Vehicle ("ETF") Risks,** including Net Asset Valuations and Tracking Error. An ETF's performance may not exactly match the performance of the index or market benchmark that the ETF is designed to track because 1) the ETF will incur expenses and transaction costs not incurred by any applicable index or market benchmark; 2) certain securities comprising the index or market benchmark tracked by the ETF may, from time to time, temporarily be unavailable; and 3) supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF. Certain ETF strategies may from time to time include the purchase of fixed income, commodities, foreign securities, American Depositary Receipts, or other securities for which expenses and commission rates could be higher than normally charged for exchange-traded equity securities, and for which market quotations or valuation may be limited or inaccurate. Clients should be aware that to the extent they invest in ETF securities they will pay two levels of advisory compensation – advisory fees charged by Arin plus any advisory fees charged by the issuer of the ETF. This scenario may cause a higher advisory cost (and potentially lower investment returns) than if a Client purchased the ETF directly. An ETF typically includes embedded expenses that may reduce the ETF's net asset value, and therefore directly affect the ETF's performance and indirectly affect a Client's portfolio performance or an index benchmark comparison. Expenses of the ETF may include investment advisor management fees, custodian fees, brokerage commissions, and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF issuer. ETF tracking error and expenses may vary.

**Inflation, Currency, and Interest Rate Risks** - Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of an investor's future interest payments and principal. Inflation also generally leads to higher interest rates, which in turn may cause the value of many types of fixed income investments to decline. In addition, the relative value of the U.S. dollar-denominated assets primarily managed by Arin may be affected by the risk that currency devaluations affect Client purchasing power.

**Futures Risk.** Our use of stock, fixed income, currency and other futures contracts creates exposure to leverage and tracking risks because a small investment in futures contracts may produce large losses and futures contracts may not accurately track the underlying securities. Changes in the value of futures contracts may not track or correlate perfectly with the underlying index because of temporary, or even long-term, supply and demand imbalances and because futures do not pay dividends unlike the stocks, upon which they are based.

**Risks from Purchasing Options.** If a call or put option purchased by us is not sold when it has remaining value and if the market price of the underlying security, in the case of a call, remains less than or equal to the exercise price, or, in the case of a put, remains equal to or greater than the exercise price, you will lose its entire investment in the option. There is no assurance that a liquid or "fair" market will exist when we seek to close out an option position. Where a position in a purchased option hedges a related position, the price of the option may move more or less than the price of the related position.

**Risks from Selling Options.** Selling or writing option contracts often results in a "short" position (see Short Selling Risk below). A short position can result in losses that substantially exceed your initial investment. Short option positions may also lead to an elevation in the position turnover rate and/or may therefore trigger a higher tax liability. There is no assurance that a liquid or "fair" market will exist when we seek to close out a short option position. This lack of marketability may result in further losses. In cases when we sell an option to hedge against price movements in a related underlying position, the price of the option may move more or less than the price of the related position and not fully hedge the position.

Additional detail on both purchasing and writing options can be found by downloading "Characteristics and Risks of Standardized Options" and related supplements through the OCC (also known as The Options Clearing Corporation) website: <http://www.optionsclearing.com/about/publications/character-risks.jsp>

**Short Selling Risk.** When you short sell, your losses can be infinite. A short sale trade loses money when the price of the asset rises. An asset, theoretically, at least, can rise an unlimited amount. Shorting assets often involves using borrowed money. These borrowings may be explicit. This is known as margin trading - see below. When short selling, you must open a margin account, which allows you to borrow money from the broker-dealer firm providing the credit facility. Short squeezes can wring the profit out of your investment. When stock prices go up a short seller's losses get higher, as sellers rush to buy the stock to cover their positions. This rush creates a high demand for the stock quickly driving up the price even further. This phenomenon is known as a short squeeze. Usually, news in the market will trigger a short squeeze, but sometimes traders who notice a large number of shorts in a stock will attempt to induce one. Timing is an additional complication. Even though a company is overvalued, it could conceivably take some time for the price to come back down. In the meantime, you are vulnerable to interest charges, margin calls, dividend payments if any and other adverse effects.

**Correlation Risk.** Correlation measures how much one asset moves in connection with another asset. Correlations are typically calculated using historical relationships. There is no assurance the historical relationship will persist. As correlations change, the integrity of hedging and diversification strategies becomes suspect. Your account may buy or sell options based upon a given correlation with an underlying asset(s). This relationship may not hold and can result in adverse financial consequences. Option prices may move more or less than the price of your asset or portfolio. This failure to track your asset or portfolio may result in a loss or greater loss than was expected.

**Liquidity Risk:** Liquidity is the ability to convert readily an investment into cash to prevent a loss, realize an anticipated profit, or otherwise transfer funds out of the particular investment. Generally, investments are more liquid if the investment has an established market of purchasers and sellers, such as a stock or bond listed on a national securities exchange. Conversely, investments that do not have an established market of purchasers and sellers may be considered illiquid. Your investment in illiquid investments may be for an indefinite time, because of the lack of purchasers willing to convert your investment to cash or other assets.

**Funding Risk:** Certain strategies rely upon access to direct or indirect borrowing and/or third-party collateral and/or capital. The market for borrowed funds may be potentially unavailable or greatly reduced. This lack of access to capital may negatively influence certain trading strategies. In addition, rates charged to borrow funds may be significantly elevated which may also result in negative performance. Certain trades may rely on a specified holding period. If the duration of the holding period adjusts to either a longer or a shorter period, the results may be negative.

**Pandemic Risk:** Any outbreak of infectious illness ("II") may result in travel restrictions, closed international borders, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, prolonged quarantines, cancellations, supply chain disruptions, and lower consumer demand, as well as general concern and uncertainty. The impact of an II that may arise in the future, could adversely affect the economies of many countries or the entire global economy, individual issuers and capital markets in ways that cannot necessarily be foreseen. In addition, the impact of any II in emerging market countries may be greater due to generally less established healthcare systems. Public health crises caused by an II outbreak may exacerbate other pre-existing political, social and economic risks in certain countries or globally. As such, issuers of debt securities with operations, productions, offices, and/or personnel in (or other exposure to) areas affected with the II may experience significant disruptions to their business and/or holdings. The potential impact on the credit markets may include market illiquidity, defaults and bankruptcies, among other consequences, particularly on issuers in the airline, travel and leisure and retail sectors. The extent to which an II may affect Arin's investment strategies, service providers' and/or operations and results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge

concerning the severity of the II and the actions taken to contain the II. Economies and financial markets throughout the world are becoming increasingly interconnected. As a result, whether or not Arin's investment strategies trade or hold securities of issuers located in or with significant exposure to countries experiencing economic, political and/or financial difficulties, the value and liquidity of the assets traded or held within Arin's investment strategies may be negatively affected by such events. If there is a significant decline in the value of the portfolio, this may impact Arin's ability to maintain the objects set forth by you.

**Hard to Borrow Risk:** Certain strategies rely upon access to direct or indirect borrowing and/or third-party collateral and/or capital. The market for borrowed funds may be potentially unavailable or greatly reduced. This lack of access to capital may negatively influence certain trading strategies. In addition, rates charged to borrow funds may be significantly elevated which may also result in negative performance. Certain trades may rely on a specified holding period. If the duration of the holding period adjusts to either a longer or a shorter period, the results may be negative.

#### **Traditional Margin and Portfolio (Risk Based) Margin Risk**

Under certain conditions and options-based strategy mandates, Arin clients may be required to use "margin" within their securities account(s). Before trading securities in a margin account, clients should carefully review the margin agreement provided by their registered broker-dealer to understand fully the risks involved with trading securities in a margin account. Securities purchased within a client's margin account may be paid for in full or in part with monies borrowed from the broker-dealer. The client must establish a margin account in advance if the client chooses to borrow funds from their broker-dealer. The securities held or purchased in the client's account are the collateral pledged to the broker-dealer for the margin loan.

Under Traditional Margin or Reg T margin, if the securities in the client's account decline in value, this means the collateral supporting the loan declined in value. As a result, the broker-dealer may issue a margin call and/or sell securities or other assets held within the broker-dealer's account in order to maintain the required equity to margin balance ratio, usually fifty percent (50%), in the account.

Portfolio Margin or Risk Based Margin is a margin calculation methodology that sets margin requirements for an account based upon a projected net loss of all positions in a given "security class" or "product group" as determined by the broker-dealer's model using multiple pricing scenarios. Pricing scenarios for options include changes to the inputs to a theoretical options' pricing model, including the underlying price and volatility. The goal of Portfolio Margin is to set levels of margin that more precisely reflect actual net risk. The client may benefit from Portfolio Margin in that margin requirements that are calculated based on net risk are generally lower than alternative "position" or "strategy" based methodologies for determining margin requirements. Lower margin requirements grant the client an opportunity to use more leverage to increase position size or allow the client to post less collateral, or borrow less, than with Traditional Margin calculations. Whereas Portfolio Margin usually permits greater leverage in an account, it may also result in greater losses in the event of adverse market movements. In addition, the time limit for meeting a margin deficiency is shorter with Portfolio Margin, which might cause the margin account to be subject to involuntarily liquidation. Since Portfolio Margin requirements rely on sophisticated mathematical calculations and model specific assumptions/scenarios/outcomes, clients may not be able to predict the size of future margin deficiencies. These models may not accurately capture the amount of potential loss in a portfolio. Such model errors may trigger a margin call in which additional cash or collateral must be delivered to the broker to preserve existing trade positions.

#### **Counterparty Risk**

To the extent that client funds are invested in options, swaps, derivative or synthetic instruments, forward contracts, or other over-the-counter transactions (including those with respect to certain equities), the client accepts the credit risk with regard to parties with whom the account trades and may result in performance and/or settlement default. These risks may differ materially from those entailed in exchange-traded transactions. Exchange traded transactions are, in general, backed by clearing organization guarantee, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties may not benefit from such protections and expose the parties to the risk of counterparty default.

Although exchange-traded futures and options contracts are generally backed by a guarantee from a clearing corporation, an account could lose the benefit of a contract in the event that the clearing corporation becomes insolvent or experiences another source of financial distress.

There are also risks involved in dealing with custodians and brokers who settle trades and/or hold your assets. Under certain circumstances, including certain transactions where a client's assets are pledged as collateral for margin, leverage or other forms of loans, or where a client's assets are held at a non-U.S. broker, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the client and hence the client could be exposed to a credit risk with regard to such assets. In addition, there may be practical or time problems associated with enforcing a client's rights to its assets in the case of an insolvency of a custodian, broker or other party to which assets were pledged or held as collateral. Significant losses incurred by many investors in 2008 in relation to the bankruptcy and/or administration of Lehman Brothers Holdings and its affiliates illustrate the risks incurred in both derivatives trading and custody/brokerage arrangements. There is no certainty that, in the event of a failure of a custodian or broker that has custody of client's assets, the client would not incur losses due to their assets being unavailable for an uncontrollable and unknown period of time, or the client may ultimately fail to recover all of their assets, or be subject to both of these consequences.

### **Legislative and Tax Risk**

Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment advisor or securities trading regulation; change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities; and changes in the tax code that could affect interest income, income characterization and/or tax reporting obligations, particularly for options, swaps, master limited partnerships, Real Estate Investment Trust, Exchange Traded Products/Funds/Securities. Arin does not engage in tax planning, and in certain circumstances, a Client may incur taxable income on their investments without a cash distribution to pay the tax due. Clients and their personal tax advisors are responsible for how the transactions in their account are reported to the IRS or any other taxing authority.

**Foreign Investing and Emerging Markets Risk** - Foreign investing involves risks not typically associated with U.S. investments, and the risks may be exacerbated further in emerging market countries. These risks may include, among others, adverse fluctuations in foreign currency values, as well as adverse political, social and economic developments affecting one or more foreign countries. In addition, foreign investing may involve less publicly available information and more volatile or less liquid securities markets, particularly in markets that trade a small number of securities, have unstable governments, or involve limited industry. Investments in foreign countries could be affected by factors not present in the U.S., such as restrictions on receiving the investment proceeds from a foreign country, foreign tax laws or tax withholding requirements, unique trade clearance or settlement procedures, and potential difficulties in enforcing contractual obligations or other legal rules that jeopardize shareholder protection. Foreign accounting may be less transparent than U.S. accounting practices and foreign regulation may be inadequate or irregular.

**Information or Cyber Security Risk:** Arin Risk Advisors, LLC may be susceptible to risks to the confidentiality and security of its operations and proprietary and customer information. Information risks, including theft or corruption of electronically stored data, denial of service attacks on Arin's website or websites of Arin's third-party service providers, and the unauthorized release of confidential information are a few of the more common risks faced by Arin and other investment advisers. Data security breaches of Arin's electronic data infrastructure could have the effect of disrupting Arin's operations and compromising Arin's customers' confidential and personally identifiable information. Such breaches could result in an inability of Arin to conduct business, potential losses, including identity theft and theft of investment funds from customers, and other adverse consequences to customers. Arin has taken and will continue to take steps to detect and limit the risks associated with these threats.

**Tax Risks:** Tax laws and regulations applicable to an account with Arin may be subject to change and unanticipated tax liabilities may be incurred by an investor as a result of such changes. In addition, customers may experience adverse tax consequences from the early assignment of options within a customer's account. Customers should consult their own tax advisers and counsel to determine the potential tax-related consequences of investing.

### **Advisory Risk**

There is no guarantee that Arin's judgment or investment decisions on behalf of particular account will necessarily produce the intended results. Arin's judgment may prove to be incorrect, and an account might not achieve her investment objectives. In addition, it is possible that Arin will experience computer equipment failure, loss of internet access, viruses, or other events that may impair access to accounts' custodians' software. Arin and its representatives are not responsible to any account for losses unless caused by Arin breaching Arin's fiduciary duty.

### **Dependence on Key Employees**

An account's success depends, in part, upon the ability of Arin's executive officers, key traders/portfolio managers/strategists and other professionals to achieve the targeted investment goals. The loss of any of these executives or other key personnel could adversely influence the ability to achieve such investment goals and objectives of the account.

#### **Item 9 Disciplinary Information**

Arin Risk Advisors, LLC has been registered and providing investment advisory services since 2009. Neither our firm nor any of our associated persons has any reportable disciplinary information.

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

Joseph DeSipio, an indirect principal owner of our firm, is also a principal of 52 Factorial, LLC, a capital markets advisory firm that provides portfolio accounting, valuation services, risk assessment and asset disposition advice.

The common ownership amongst the firms may present a conflict of interest because we have a financial incentive to recommend the services of 52 Factorial, LLC. While we believe the compensation 52 Factorial, LLC charges is competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use its services and may obtain comparable services and/or lower fees through other firms.

The advisory fees charged by our firm are separate and apart from any fees charged by 52 Factorial, LLC. Mr. DeSipio spends approximately 1-5 hours per month devoted to the operation of these companies.

Mr. DeSipio also teaches macroeconomics and/or microeconomics at colleges and universities of a part time basis. There may be sessions or semesters when his teaching hours overlap with the firm's hours of operation.

Mr. Lempert, Chief Compliance Officer of Arin Risk Advisors is also a consultant for LX2 LLC, a financial consulting firm that provides investment analytics and technology services. Mr. Lempert spends approximately 5-10 hours per month devoted to activities related to LX2. Other than LX2, Mr. Lempert is not actively engaged in any other business or occupation (investment-related or otherwise) beyond his capacity as investment adviser representative of Arin Risk Advisors, LLC.

As discussed in the Advisory Business section above, we serve as investment adviser to the Arin Large Cap Theta Fund, a registered mutual fund and the VegaEx, LP private pooled investment vehicle.

#### ***Investment Adviser Representative of another Investment Adviser***

Mr. DeSipio is also an investment adviser representative of Wellington Capital Advisers, LLC, an unaffiliated registered investment adviser. Mr. DeSipio may make recommendations to Clients of Wellington Capital that may be similar or inconsistent with recommendations made to Clients of Arin. In such instances, all Arin investment adviser representatives are required to make those recommendations to Clients that are suitable for the Client, and not in the interest of the investment adviser representative.

A conflict of interest may exist to the extent that an investment adviser representative of Arin advises Clients of Wellington Capital and Arin on the purchase or sale of the same securities. In such circumstances, Arin and Wellington Capital have procedures in place to ensure that any recommendations made by such representative are in the best interest of Clients of the respective investment adviser, and that no Client of either firm is disadvantaged by the advisory services provided.

Mr. DeSipio currently devotes between 1% - 5% of his time to the investment advisory services of Wellington Capital depending on the needs of the respective firms and their Clients.

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

##### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. We place our clients' interest first. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. We expect all of our Associated Persons to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

In addition, we have adopted, and claim compliance with, the CFA Institute Asset Manager Code of Professional Conduct. The CFA Institute has not verified this claim. <https://www.cfainstitute.org/-/media/documents/code/code->

[ethics-standards/code-of-ethics-standards-professional-conduct.ashx](https://www.arnet.com/ethics-standards/code-of-ethics-standards-professional-conduct.ashx)

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Lawrence Lempert, Chief Compliance Officer at 610-822-3400.

### **Participation or Interest in Client Transactions**

We may purchase for clients or recommend that clients invest in the Arin Large Cap Theta Fund, and VegaEx, LP (collectively "Funds"). We act as the investment adviser to the Funds and Associated Persons of our Firm may also have made investments in the Funds and therefore have an incentive to purchase or recommend the Funds for/to clients. We will not include the value of any investments in the Funds when calculating our investment management fees for separately managed accounts.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own accounts. We may also combine our orders to purchase or sell securities with your orders to purchase or sell securities ("block trading"). Please refer to the "Brokerage Practices" section in this Brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our firm's policy that we shall not have priority over your account in the purchase or sale of securities.

### **Item 12 Brokerage Practices**

We maintain relationships with several unaffiliated broker-dealers. In cases where we do not have the discretion to determine the broker-dealer used, you are free to choose any broker-dealer or other service provider. We usually recommend that you establish your account with a brokerage firm with which we have an existing relationship. Such relationships may include benefits provided to you and to our firm, including but not limited to, automated trade allocation, research or market information, and administrative services that help our firm manage your account(s). We believe that recommended broker-dealers provide execution services, commissions, borrowing rates, and securities lending rates for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including their trading software, value of their research, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients' and our firm's operational needs. In recognition of the value of research services, additional brokerage products, and services recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those determined solely by price or that may be available elsewhere.

While the receipt of these additional services are not considered "soft dollar" compensation, they are considered to provide a benefit to our firm which means we may have a conflict of interest in directing your brokerage business. We could receive specific benefits by selecting a particular broker-dealer to execute your transactions, and the transaction compensation charged by that broker-dealer might not be the lowest compensation we might otherwise be able to negotiate.

The products and services we receive from broker-dealers will generally be used in servicing all of our clients' accounts. Our use of these services will not be limited to the accounts that paid commissions to the broker-dealer for such services.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Moreover, in the case of limitations on the use of "portfolio or risk-based margin"; this may keep our firm from effectively managing



assets on your behalf.

Thus, when directing brokerage business, you should consider whether the commission expenses, execution, trade clearing and settlement or margin capabilities and rates that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

### **Block Trades**

Whenever possible, we combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then attempt to distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares/contracts purchased (or sold) is typically proportionate to the Net Liquidation Value, number of shares, or similar pro rata allocation methodology of the accounts. For some of Arin's strategies, the distribution of the shares/contracts purchased (or sold) will be proportionate to the existing open or underlying positions or separately, the amount of cash or cash equivalents in advisory accounts we manage. We do not distribute trades on the basis of the fee arrangements we have in place with accounts. This means accounts with performance- based fees are generally treated in a manner similar to those accounts that pay only a percentage-based fee. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm but not invested in accordance with one of our strategies will not participate in block trading with your accounts.

In the event orders are not aggregated, you may receive different prices for the same securities transactions as other clients, you may not be able to buy and sell the same quantities of securities, and you may be charged higher commissions or fees than if orders were aggregated with other clients.

## **Item 13 Review of Accounts**

### **Investment Management Services**

A qualified representative of our firm will monitor your accounts on an ongoing basis and will conduct account reviews at least annually, to ensure that the investment management services provided to you and the portfolio's composition is consistent with your stated investment needs and objectives. Your account may warrant additional reviews based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

Upon request and in cooperation with your custodian we will provide you with reports summarizing account activity and performance. In addition, you will receive trade confirmations, monthly or quarterly statements, and year-end tax statements from your account custodian(s). Several custodians now offer electronic only statement delivery and recall.

### **Investment Consulting Services**

A qualified representative of our firm will review/update your financial plan/analysis or other relevant documents periodically upon your request or as provided in the agreement for services. Such updates/reviews may be subject to additional charges.

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

We do not receive direct compensation from any third party in connection with providing investment advice to you. However, please refer to the "Brokerage Practices" section above for disclosures on research and other benefits we may receive resulting from our relationships with various brokers or custodians.

We directly compensate non-employee (outside) individuals and/or entities (Solicitors) for client referrals. In order

to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If a Solicitor introduced you to our firm, you should have received a copy of this Disclosure Brochure along with the Solicitor's Disclosure Statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until our agreement with the Solicitor expires. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We recommend that you ask Solicitors to disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

### **Item 15 Custody**

We may directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your account(s) causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. A bank, broker-dealer, or other independent, qualified custodian holds your funds and securities. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. If applicable, the reports we provide to you also reflect the amount of advisory fee deducted from your account. We also send you an invoice reflecting the advisory fee.

You should compare our reports/invoices with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact Lawrence Lempert, Chief Compliance Officer at 610- 822-3400.

### **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and/or trading authorization form.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s), the broker-dealer to be used and the commission rates to be paid without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in the Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s).

### **Item 17 Voting Client Securities**

#### **Proxy Voting**

For individually managed accounts, we will not vote proxies on behalf of your advisory accounts. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we receive any written or electronic proxy materials, we will forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we will forward any electronic solicitation to vote proxies.

For the Arin Large Cap Theta Fund and VegaEx, LP, we will determine how to vote proxies based on our reasonable judgment of the vote most likely to produce favorable financial results for the Funds. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders. Generally, proxy votes will be cast against proposals having the opposite effect. However, we will consider both sides of each proxy issue.

Conflicts of interest regarding certain proxy issues could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may abstain from voting, or follow the recommendations of an independent proxy voting service.

## **Item 18 Financial Information**

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## **Item 19 Requirements for State Registered Investment Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any non-public personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to non-public personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your non-public personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Lawrence Lempert, Chief Compliance Officer at 610-822-3400, if you have any questions regarding this policy.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or other litigation matters. We do not initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error, except for a trade allocation error, results in a profit, you will keep the profit unless a particular broker-dealer has a conflicting policy.