

**FIRM BROCHURE**

# STONE HOUSE

## **STONE HOUSE PARTNERS**

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**This brochure provides information about the qualifications and business practices of Stone House Partners. If you have any questions about the information contained in this brochure, please contact us at (212) 543-1500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.**

**This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of offering and/or governing documents and other similar materials that contain a description of the material terms relating to such investment, products or services.**

**Additional information about Stone House Partners also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

March 31, 2023

## Item 2: Material Changes

The date of our last annual updating amendment to our firm brochure was on March 31, 2022. A summary of certain changes that have been made to our firm brochure since the date of our last annual update is set forth below:

- We updated our regulatory assets under management as of December 31, 2022. **See Item 4.**
- We made various additions, revisions and updates to the risk factor disclosures set forth in Item 8. **See Item 8.** General Market and Economic Conditions; Disruptions in the Financial Services Industry; Inflation Risk; Geopolitical Risks; Force Majeure Events; Governmental Intervention; Changes in Government Policy; Public Health Risk; Terrorist Attacks, War and Natural Disasters; Leverage and Liquidity Risks; Interest Rate Risks; Counterparty Risks.
- We updated the name of our Chief Compliance Officer. **See Item 13.**

The information set forth in this brochure is qualified in its entirety by the applicable offering materials and/or governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable governing and/or offering documents, such documents shall control.

We encourage all investors and clients to carefully review this brochure in its entirety.

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## Item 4: Advisory Business

### FIRM DESCRIPTION

Stone House Capital Management, LLC, doing business as Stone House Partners, a Delaware limited liability company and private investment advisory firm, was formed in January 2010. We provide investment advisory services to private pooled investment vehicles that are offered to investors on a confidential, private placement basis. In connection with providing these investment advisory services, we serve as investment adviser with discretionary trading authorization. Our investment advisory services are provided in accordance with the investment objectives and guidelines set forth in the applicable offering and/or governing documents, and the information set forth in this brochure is qualified in its entirety by such documents.

### PRINCIPAL OWNERS

We are wholly owned and controlled by Mark A. Cohen and Richard M. Cohen, our sole members.

### TYPES OF ADVISORY SERVICES

Our private investment fund clients include SH Capital Partners, L.P., a Delaware limited partnership (the “Onshore Fund”), and SH Capital Offshore, LTD, a Cayman Islands exempted company (the “Offshore Fund” and together with the Onshore Fund, each, a “Fund” and together, the “Funds”). The Offshore Fund invests substantially all of its assets in, and conducts its investment activities indirectly through, the Onshore Fund, pursuant to a mini-master feeder structure.

We provide investment management services to the Funds primarily with respect to investments in publicly-traded equity securities. We generally are responsible for investing and re-investing the assets of the Funds in accordance with the investment objectives, policies and guidelines set forth in their offering and governing documents.

Information about each Fund is set forth in its confidential memorandum and applicable governing documents. Investment in a Fund does not, in and of itself, create an advisory relationship between an investor in such Fund and us. **See Item 8 below.**

### INVESTMENT RESTRICTIONS

We provide investment advice to the Funds in accordance with the investment objectives, policies and guidelines set forth in the applicable offering and governing documents, and not in accordance with the individual needs or objectives of any particular investor in the Funds. Investors generally are not permitted to impose restrictions or limitations on the management of the Funds. Notwithstanding the foregoing, we may enter into side letter agreements with one or more investors in a Fund that alter, modify or change the terms of the interests held by those investors.

### ASSETS UNDER MANAGEMENT

As of December 31, 2022, we had approximately \$151.5 million in regulatory assets under management. All of these assets were managed on a discretionary basis.

## Item 5: Fees and Compensation

### DESCRIPTION OF COMPENSATION AND FEE SCHEDULE

In consideration of our advisory services, we receive management fees and we or one of our affiliates may be entitled to receive performance-based allocations with respect to the Funds. While fees and allocations are described in detail in the applicable governing and/or offering documents, a brief summary of our advisory fees is set forth below.

#### Onshore Fund

With respect to the Onshore Fund, we generally are entitled to receive an asset-based management fee, payable at the beginning of each calendar quarter in advance, equal to (i) one-fourth (1/4) of two percent (2%) of the capital account balance of each Class A limited partner, (ii) one-fourth (1/4) of two percent (2%) of the capital account balance of each Class B limited partner, (iii) one-fourth (1/4) of one and one-half percent (1.5%) of the capital account balance of each Class C limited partner, (iv) one-fourth (1/4) of one and one-half percent (1.5%) of the capital account balance of each Class D limited partner and (v) one-fourth (1/4) of one and one-half percent (1.5%) of the capital account balance of each Class E limited partner.

Subject to certain limitations (including the high water mark described below), at the end of each fiscal year, one of our affiliates may be entitled to receive a performance allocation equal to (i) 20% of each Class A limited partner's allocable share of net profits for the applicable fiscal year, (ii) 20% of each Class B limited partner's allocable share of net profits for the applicable fiscal year, (iii) 15% of each Class C limited partner's allocable share of net profits for the applicable fiscal year, (iv) 20% of each Class D limited partner's allocable share of net profits for the applicable fiscal year, (v) 20% of each Class E limited partner's allocable share of net profits for the applicable fiscal year and (vi) 30% of each Class F limited partner's allocable share of net profits for the applicable fiscal year.

The performance allocation is subject to a "high water mark" limitation. As a result, after the first fiscal period in which a performance allocation is earned, the performance allocation for subsequent periods applies only to the extent that a limited partner's *pro rata* share of net profits measured on a cumulative basis, net of any losses, for all periods since admission exceeds the highest level of such cumulative net profits achieved through the close of any prior year since admission.

#### Offshore Fund

The Offshore Fund invests substantially all of its assets in, and conducts its investment activities indirectly through, the Onshore Fund, pursuant to a mini-master feeder structure, and the management fee and performance allocation with respect to the Offshore Fund is calculated at the Onshore Fund level. In order to track the management fee and performance allocation attributable to each investor in the Offshore Fund, the Onshore Fund establishes a separate account within the capital accounts of the Onshore Fund which corresponds to each shareholder in the Offshore Fund.

With respect to the Offshore Fund, we generally are entitled to receive an asset-based management fee, payable at the beginning of each calendar quarter in advance, equal to (i) one-fourth (1/4) of two percent (2%) of the net asset value of the separate account attributable to each Class A shareholder, (ii) one-fourth (1/4) of one and one-half percent (1.5%) of the net asset value of the separate account attributable to each Class B shareholder, (iii) one-fourth (1/4) of one and one-half percent (1.5%) of the net asset value of the separate account attributable to each Class D shareholder and (iv) one-fourth (1/4) of one and one-half percent (1.5%) of the net asset value of the separate account attributable to each Class E shareholder.

Subject to certain limitations (including the high water mark described below), at the end of each fiscal year, one of our affiliates may be entitled to receive a performance allocation equal to (i) 20% of the net profits allocated to the separate account attributable to each Class A shareholder, (ii) 15% of the net profits allocated to the separate account attributable to each Class B shareholder, (iii) 20% of the net profits allocated to the separate account attributable to each Class D shareholder, (iv) 20% of the net profits allocated to the separate account attributable

to each Class E shareholder and (v) 30% of the net profits allocated to the separate account attributable to each Class F shareholder.

The performance allocation is subject to a “high water mark” limitation. As a result, after the first fiscal period in which a performance allocation is earned, the performance allocation for subsequent periods applies only to the extent that a shareholder’s *pro rata* share of net profits measured on a cumulative basis, net of any losses, for all periods since admission exceeds the highest level of such cumulative net profits achieved through the close of any prior year since it purchased shares.

#### Funds

Each investor in a Fund generally is required to represent that it is a “qualified client” as such term is defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”); *provided* that our affiliate may waive the performance allocation with respect to any investor that does not qualify as a “qualified client.”

Our advisory fees with respect to the Funds and each investor generally are not negotiable. However, we may enter into side letters or similar arrangements with certain investors that grant different terms (including the reduction or elimination of fees) to such investors than the terms generally applicable to other investors.

#### **PAYMENT OF FEES**

##### Onshore Fund

Management fees are payable by limited partners quarterly, in advance, as of the beginning of each calendar quarter. Management fees are deducted directly from the capital account(s) of each limited partner. In the event that the Onshore Fund is dissolved, a limited partner withdraws or our advisory services are terminated prior to the end of any calendar quarter, then an amount equal to a *pro rata* portion of the management fee, based on the actual number of days remaining in such quarter, will be refunded to the applicable limited partner(s). Management fees are also prorated with respect to capital contributions made by limited partners during a calendar quarter.

Performance allocations are calculated and re-allocated from each capital account of a limited partner to our affiliate as of the end of each fiscal year (and at such other times as set forth in the partnership agreement). Performance allocations are allocated directly from each capital account of a limited partner to one of our affiliates.

##### Offshore Fund

Management fees are payable by shareholders quarterly, in advance, as of the beginning of each calendar quarter. Management fees are deducted directly from the separate account(s) of each shareholder. In the event that the Offshore Fund is dissolved, a shareholder redeems its shares or our advisory services are terminated prior to the end of any calendar quarter, then an amount equal to a *pro rata* portion of the management fee, based on the actual number of days remaining in such quarter, will be refunded to the applicable shareholder(s). Management fees are also prorated with respect to capital contributions made by shareholders during a calendar quarter.

Performance allocations are calculated and re-allocated from each separate account of a shareholder to our affiliate as of the end of each fiscal year (and at such other times as set forth in the Offshore Fund’s offering documents). Performance allocations are allocated directly from each separate account of a limited partner to one of our affiliates.

#### **OTHER FEES AND EXPENSES**

In addition to management fees and performance allocations, each Fund generally bears all costs and expenses relating to its operations and/or activities, including but not limited to organizational expenses, legal, auditing and accounting expenses (including the maintenance of books and records), costs for the preparation of financial statements, tax returns and Schedule K-1, if applicable, expenses of the meetings of the investors, if any, and other expenses associated with the acquisition, holding and disposition of investments, as well as extraordinary expenses, such as litigation. Clients generally are responsible for and pay all brokerage and custodial fees. **See Item 12 below.**

**COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS**

Neither we nor any of our supervised persons accept compensation for the sale of securities or other investment products.

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

### **PERFORMANCE-BASED FEES**

As noted under Item 5 above, we or our affiliate may receive performance-based allocations from our clients. Performance-based allocations could motivate us to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. In addition, because performance-based allocations with respect to the Funds may be calculated on a basis that includes both realized and unrealized appreciation in portfolios based upon values assigned by us or administrators under our control, we face a conflict of interest in valuing those portfolios. Certain of our individual employees and affiliates who are compensated to some extent based upon investment profits for which they are responsible face the same potential conflicts.



## Item 7: Types of Clients

### **TYPES OF CLIENTS AND INVESTORS**

As described above, we currently provide investment advisory services to our affiliated private investment funds. Investors in the Funds may include high net worth individuals, banks and thrift institutions, investment companies, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

### **ACCOUNT REQUIREMENTS**

The minimum initial capital contribution generally required for an investor in the Funds is \$1,000,000, although capital contributions of lesser amounts may be accepted in our discretion (subject to applicable legal requirements).

Each investor in the Funds generally is required to represent that it is, among other things, an “accredited investor,” as such term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), and a “qualified client,” as such term is defined in Rule 205-3 under the Advisers Act.

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

### METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

*The descriptions set forth in this brochure of specific advisory services we offer to clients, investment strategies and investments we make on behalf of clients should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that we consider appropriate, subject to each client's investment objectives and guidelines.*

Our investment objective is to achieve long term capital appreciation. We seek to achieve our objective primarily through investments in the common stock of publicly-traded companies. In addition, we have the ability to invest client assets in other financial instruments, including, without limitation, common stocks, preferred stocks, limited partnership interests, warrants, equity derivatives, convertible securities, listed and unlisted options, shares of beneficial interest, convertible preferred obligations, and rights, options, puts and calls with respect to any of the foregoing. We are not subject to limitations on the amount of client capital which may be allocated to any one investment. Accordingly, our portfolio may be heavily concentrated from time-to-time.

Our overall investment philosophy is value-driven and predicated on fundamental analysis. We invest with a bottom-up approach, focusing on individual companies. We generally do not invest client assets with a macroeconomic focus or in industries that we do not believe we fully understand.

The investment strategies summarized above are not intended to be comprehensive. For more information regarding the investment strategies of each Fund, please see the applicable governing and/or offering documents of each Fund. We generally make a relatively limited number of investments and engage in a buy and hold investment strategy wherein securities are held for a relatively long period of time, regardless of short term market fluctuations or stock price volatility. We may invest a substantial portion of client assets in an individual investment, generally resulting in a highly concentrated, undiversified portfolio.

### CERTAIN RISK FACTORS

*There can be no assurance that clients or investors will achieve their investment objectives or that investments will be successful. Our investment strategies involve a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that our investment strategies are low risk or risk free or that they will achieve the investment objectives. Our investment strategies are appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. The various risks outlined below are not the only risks associated with our investment strategies and processes and may not necessarily apply to each client or investor. With respect to the Funds, the following risks are qualified in their entirety by the risks set forth in the applicable offering documents.*

**General Market and Economic Conditions.** Changes in general global, regional and U.S. economic and geopolitical conditions and national and international political circumstances and developments and other circumstances (including wars, epidemics and pandemics, terrorist acts, security operations, bank failures, disruptions in the financial services industry and natural disasters), as well as changes in government policy precipitated by the foregoing, may affect our and the Funds' activities. For example, the hostilities and disputes between Russia and Ukraine as well as the recent bank failures could destabilize the worldwide economy and equity markets in various respects. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by the Funds or considered for prospective investment. Material changes and fluctuations in the economic environment, particularly of the type experienced since 2008 that caused significant dislocations, illiquidity and volatility in the wider global economy, and the market changes that have resulted and may continue to result from the spread of COVID-19 and the recent adverse developments affecting the U.S. and international financial services industries, may affect the Funds' ability to make investments and the value of investments held by the Funds or the Funds' ability to dispose of investments. Specifically, in March 2023, both Silicon Valley Bank ("SVB") and Signature Bank were closed and swept into receivership with the Federal Deposit Insurance Corporation (the "FDIC"). In addition,

First Republic Bank's credit rating was downgraded after securing billions in funds from other financial institutions to avoid closure, and Credit Suisse was rescued with a buy-out from UBS. Such failures led to depositors withdrawing their funds from these and other financial institutions, leading to severe market disruption and extreme volatility in the prices of the securities issued by financial institutions. The short-term and the longer-term impact of these events are uncertain, but they could continue to have a material effect on general economic conditions, consumer and business confidence and market liquidity. Any economic downturn resulting from a recurrence of such marketplace events and/or continued volatility in the financial markets could adversely affect the financial resources of entities owned by the Funds. Additionally there has been discussion and dialogue regarding potential significant changes to U.S. trade policies, legislation, treaties and tariffs trade policies and tariffs affecting Canada, Mexico, China, the European Union and other countries. Tariffs and other trade restrictions imposed by the U.S. government and any further similar changes in U.S. trade policy have triggered some, and could trigger additional, retaliatory actions by affected countries, possibly resulting in "trade wars". At this time, it is unknown whether and to what extent additional new legislation will be passed into law, pending or new regulatory proposals will be adopted (including with respect to bank reform), international trade agreements will be negotiated, or the effect that any such action would have, either positively or negatively, on the Funds or their investments. Investments can be expected to be sensitive to the performance of the overall economy. Moreover, a serious pandemic, recent bank failures, government shutdown, work stoppage, natural disaster, armed conflict, threats of terrorism or terrorist attacks and the impact of military or other action could severely disrupt global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer and business confidence may negatively impact market value, increase market volatility and reduce liquidity, all or any of which could have an adverse effect on the performance of the Funds' investments, the Funds' returns and the Funds' ability to make and/or dispose of investments. No assurance can be given as to the effect of these events on the Funds or their investment objectives. Global economic and market conditions have been materially adversely affected by the ongoing conflict between Russia and Ukraine as well as recently by turmoil in the banking industry.

*Disruption in the Financial Services Industry.* Our ability to make investments, secure funding and engage in other transactions could be adversely affected by the actions and stability of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. As a result, defaults by, or even rumors or questions about, one of more financial service institutions, or the industry generally, have historically led to market-wide liquidity problems. Losses of depositor, creditor and counterparty confidence and could lead to losses or defaults by the Funds or other institutions. In response to the bank failures at SVB and Signature Bank and the resulting market reaction, the Secretary of the Treasury, the Federal Reserve and the FDIC indicated that all depositors of SVB and Signature Bank would have access to all deposits by utilizing the Deposit Insurance Fund, including bridge banks to assume all of the deposit obligations of the failed banks, while leaving unsecured lenders and equityholders of such institutions exposed to such losses. The Federal Reserve also created the Bank Term Funding Program to ensure banks have the ability to meet the needs of their depositors. There is no guarantee that the Department of Treasury, FDIC and the Federal Reserve will provide access to uninsured funds in the future in the event of the closure of other financial institutions (or do so in a timely fashion) and it is uncertain whether these steps by the government will be sufficient to calm the financial markets, reduce the risk of significant depositor withdrawals at other institutions and thereby reduce the risk of additional bank failures.

*Inflation Risk.* The rate of inflation has increased meaningfully as compared to recent years and it is currently expected that it may remain high or elevated in the future, especially given the recent market turmoil as a result of the crises in the financial services industry. Inflation and rapid fluctuations have in the past had and are currently having negative effects on economies and financial markets. For example, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on investments. In an attempt to stabilize inflation, governments may impose wage and price controls or otherwise intervene in the economy. Governmental efforts to curb inflation often have negative effects on the level of economic activity. If inflation were to continue at the current level or rise at rates higher than those anticipated in underwriting investments, the effective rate of return on such investments may be reduced. For example, there may be instances where rents and other revenues related to such investments may be fixed by contract for meaningful periods of time whereas related expenses and interest costs may not be. As a result, the recent rise in the rate of inflation (and any additional increase in such

rate of inflation) could have a material and adverse impact on our or our clients' investments.

*Geopolitical Risks.* An unstable geopolitical climate and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity.

Geopolitical tensions, such as the war in Ukraine, has led to disruption, instability and volatility in global markets and industries that could negatively impact the Funds and/or their investments. The U.S. and other governments have imposed meaningful sanctions and export controls against Russia and Russian interests and threatened additional sanctions and controls. The Funds' investments will be required to comply with such measures and the full impact of such measures (including supply chain disruptions), as well as potential responses to them by Russia, is currently unknown and may become significant.

The continued threat of terrorism and the impact of military or other action have led to and will likely lead to increased volatility in prices for oil and gasoline and could affect certain investments financial results. Further, the United States government has issued public warnings indicating that energy assets might be specific targets of terrorist organizations. As a result of such a terrorist attack or of terrorist activities in general, such investments may not be able to obtain insurance coverage and other endorsements at commercially reasonable prices or at all. Additionally, a serious pandemic or a natural disaster could severely disrupt the global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default with respect to particular investments of our clients, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, all of which could have an adverse effect on our clients' returns and ability to make new investments. No assurance can be given as to the effect of these events on the value of or markets for investments.

*Force Majeure Events.* Force majeure is the term generally used to refer to an event beyond the control of the party claiming that the event has occurred, including acts of God, fire, flood, weather, earthquakes, war, terrorism, labor strikes, outbreaks of disease and potentially other events or occurrences. Force majeure events in the United States and elsewhere in the world may adversely affect the ability of clients, us, affiliates or agents or the parties with whom they do business to perform their respective obligations, under a contract or otherwise. In addition, dealing with any force majeure event will divert our time and effort, and the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged service interruptions may result in permanent loss of customers, substantial litigation, or penalties for regulatory or contractual non-compliance. In some cases, project agreements can be terminated if the force majeure event is so catastrophic as to render it incapable of remedy within a reasonable, pre-agreed time period. Force majeure events that are impossible or costly to cure may also have a permanent adverse effect on clients or their investments, and a client's potential returns would be diminished as a result. In particular, the hostilities between Russia and Ukraine, and the sanctions imposed or announced by the United States and various other countries in response to such hostilities, could adversely affect the worldwide economy and the investment activities of clients.

*Governmental Intervention.* In 2008, the global financial markets underwent disruptions that led to certain significant governmental intervention. The continuation of the COVID-19 global pandemic as well as the recent volatility in the bank industry has also led, and may in the future lead, to substantial governmental intervention (both in the United States and abroad), including massive stimulus programs, intervention to secure confidence in the banking system and legislation. Such intervention, in certain cases, has been or may be implemented on an "emergency" or unprecedented basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions were or are typically unclear in scope and application, resulting in confusion and uncertainty which in itself can be materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. If governmental intervention programs are unwound, there could likewise be uncertainty and adverse effects on the markets. In the case of any future market disruptions, it is impossible to predict what interim or permanent governmental restrictions (or easing of restrictions) may be imposed on the markets or the effect of such restrictions on our or our clients' investment strategies.

*Potential for Fraud.* Recent discoveries of fraud in the banking and financial services industry highlight the seriousness of the issue. The scope and long-term nature of such frauds is a testament to how difficult fraud is to detect and prevent. While we attempt to avoid falling victim to fraud, there can be no assurance that we will be

able to prevent all types of fraud by parties with whom we and our clients transact business.

*Changes in Government Policy.* Changes in government policy, including monetary, fiscal, tax, trade, inflation, exchange and regulatory policies, among many others, have had and will continue to have a significant effect on the economy, financial markets and our investment strategies. Any such changes could be difficult or impossible to anticipate and could have significant unanticipated or unintended consequences. In addition, changes in policy implemented or threatened by one government often lead to changes in policy by other governments, which have their own significant consequences. As just one example, tariffs imposed by the U.S. government on imports from China have led to the imposition of tariffs by China on imports from the U.S., and a similar dynamic has occurred in connection with other changes in trade policy implemented or threatened by various governments. Additionally, it is expected that legislation regarding bank reform will be forthcoming given the turmoil in the markets. Any of the foregoing could result in a material adverse effect on the Funds or advisory services to the Funds.

*Public Health Risk.* The Funds and their affiliates and service providers could be adversely affected by the effects of a widespread outbreak of contagious disease, such as the novel coronavirus (“COVID-19”) pandemic. Public health crises can develop rapidly and unpredictably, which may prevent governments, asset managers, companies or others (including us, the Funds or the Funds’ investments) from taking timely or effective steps to mitigate or reduce any adverse impacts to the Funds and their investments. The extent and duration of any such impacts will depend on future developments, which are highly uncertain and cannot be predicted at this time.

Any outbreak of contagious diseases and other adverse public health developments, together with any resulting disruptions or restrictions on travel, quarantines or “stay-at-home” orders, social distancing policies and/or quarantines imposed or recommended by governments and private parties in the jurisdictions where the Funds or their investments are based (together, the “Isolation Measures”), could have a material and adverse effect on the Funds and their investments, including by disrupting or otherwise adversely affecting the human capital, business operations or financial resources of the Funds, their investments, or their respective service providers (which could, in turn, adversely impact the ability of such service providers to fully support the administration and operations of the Funds or their investments).

In addition, a significant outbreak of contagious diseases in the human population, and any containment or other remedial measures imposed (including Isolation Measures), may result in a widespread health crisis that could severely disrupt global, national and/or regional economies and financial markets and cause an economic downturn that could adversely affect the performance of the Funds and/or their investments. Although the long-term economic fallout of the COVID-19 pandemic is difficult to predict, it is likely to continue to contribute to market volatility and lead to an economic slowdown given the disruption to supply chains across sectors and industries worldwide, which may reduce investment activity more generally and materially and adversely affect the Funds and/or their investments. To the extent an epidemic or pandemic, including COVID-19, is present in jurisdictions in which we have offices or other operations or investments, it could affect the ability of us and our affiliates to operate effectively, including the ability of personnel to function, communicate and travel to the extent necessary to carry out the investment strategies and objectives of the Funds.

The performance of the Funds may also be affected by particular issues affecting companies, regions or sectors of their investments. The extent of any such impacts will depend on future developments, which are highly uncertain and cannot be predicted at this time. There are no comparable recent events in the United States or globally that provide guidance as to the effect of the spread of a pandemic such as COVID-19 on the economy as a whole and the specific sectors in which the Funds may invest. Prospective investors should note that any information provided regarding the most recent valuations of an investment, including our historical investments and assets under management, was determined and relates to periods after the widespread outbreak of COVID-19. Given the levels of uncertainty, economic and financial market disruptions and volatility in connection with the outbreak, it is possible recent valuations and/or current or prior performance of prior Funds and their investments could be adversely impacted for current and future periods (at least in the short term).

*Terrorist Attacks, War and Natural Disasters.* Terrorist activities, anti-terrorist efforts, armed conflicts involving the United States or its interests abroad, wars and natural disasters may adversely affect the United States, its financial markets and global economies and markets and could prevent the Funds and their investments from meeting their respective investment objectives and other obligations. The potential for future terrorist attacks, the national and

international response to terrorist attacks, other acts of war or hostility and recent natural disasters have created many economic and political uncertainties in the past and may do so in the future, which may adversely affect the United States and world financial markets and Funds for the short or long-term in ways that cannot presently be predicted.

In February 2022, armed conflict escalated between Russia and Ukraine and Russia invaded Ukraine. In response to Russia's invasion of Ukraine, the United States, the European Union and various other countries and organizations have announced, and continue to announce and expand, various sanctions against Russia and various Russian persons and companies. The sanctions announced by the U.S. and other countries to date include restrictions on selling or importing goods, services or technology in or from affected regions and travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia. The U.S. and other countries could impose wider sanctions and take other actions should the conflict further escalate. The Ukraine-Russian conflict has led to, and may continue to lead to, significant political, geopolitical, economic and market turmoil and volatility, including dramatic increases in oil and gas prices and further supply chain disruptions. It is not possible to predict the broader consequences of this conflict or the sanctions imposed or applied as a result thereof, which could include further sanctions, embargoes, regional instability, geopolitical shifts, conflicts and adverse effects on macroeconomic conditions, currency exchange rates and financial markets, all of which could impact a Fund's or investment's business, financial condition and results of operations.

*Proposed Private Fund Adviser Rules.* On February 9, 2022, the SEC proposed new rules and rule amendments under the Advisers Act that would, if adopted, significantly impact and affect private fund advisers, including those registered with the SEC and those exempt from registration (the "Proposed Private Fund Adviser Rules"). The Proposed Private Fund Adviser Rules generally provide for (i) increased transparency with respect to fee and expense disclosure and financial performance disclosures, (ii) mandatory annual audits of private funds and guidance on reporting standards and record-keeping requirements, (iii) new requirements with respect to certain adviser-led secondary transactions, including requirements to obtain third-party fairness opinions in connection with such transactions, and (iv) prohibitions and restrictions on certain practices and activities of private fund advisers with respect to private funds managed thereby, including, but not limited to, exculpation, standard of care and indemnification provisions relating to private fund advisers, charging fees or expenses related to a portfolio investment on a non-pro rata basis, borrowing from a private fund and certain types of preferential treatment of particular investors. As there has been substantial public and industry comment, it is unclear whether, when and to what extent the proposed rules will be materially changed from their current form (if at all), if adopted. If adopted, however, the Proposed Private Fund Adviser Rules could significantly increase the costs of compliance for private funds and private fund advisers, including us and the Funds, and require significant amendments and revisions to the governing documents of the Funds.

*Investment Risks in General.* All investments risk the loss of capital. No guarantee or representation is made that client investment programs will be successful. Certain investment techniques utilized by us will, in certain circumstances, maximize the impact of adverse market moves to which our clients are or will be subject. The performance of any particular investment is subject to numerous factors that are neither within our control nor predictable by us. Such factors include a wide range of economic, political, competitive and other conditions that may affect investments in general or specific industries or companies. As a result of the nature of investment activities, it is possible that our clients' financial performances may fluctuate substantially from period to period. Clients and investors could lose a substantial portion or all of their investment.

*Investment Selection and Market Risk.* "Investment selection risk" is defined herein as the risk that we may not select and size positions appropriately within the portfolio. An associated "market risk" arises from the influence of the movements of the overall market or the value of the individual investments in the portfolio. The profitability of a significant portion of client investment programs depends to a great extent upon correctly predicting the future price movements and/or general value of securities and other investments. There can be no assurance that we will be able to accurately predict these price movements or future valuation, nor can assurance be given that a client's investment portfolio will generate any returns or otherwise appreciate in value. With respect to our investment strategy, there is also market risk. For these reasons, the portfolio may also incur losses.

*Short Sales.* Our clients may make short sales. In a short sale, the seller sells a security that it does not own,

typically a security borrowed from a broker or other counterparty. Because the seller remains liable to return the underlying security that it borrowed from the broker or counterparty, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. The making of short sales exposes clients to the risk of liability for the market value of the security that is sold, which is an unlimited risk in theory due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available for clients to borrow at reasonable costs. If a request for a return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, in which case a client or account may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. A significant “short squeeze” event occurred in January 2021 with respect to the securities of GameStop Corp (GME), where retail investors utilized Robinhood and other popular commission-free trading platforms and social media platforms to execute a “short squeeze” strategy aimed at destroying the short sale efforts of prominent hedge funds and other institutional investors who were attempting to profit from the demise of GameStop stock. The efforts of these retail investors pushed the price of GameStop stock to record levels in a very short period of time, and many hedge funds and other investors lost billions of dollars as they were forced to close out their short positions on GameStop stock in connection with the short squeeze. This situation is likely to reoccur in the future, as social media and popular commission free trading platforms have made it easier for a large number of retail investors to band together and cause disruptions in the trading strategies of hedge funds and other institutional investors. The recent controversy relating to GameStop may lead to SEC scrutiny and greater regulation of such strategies.

The SEC has in the past adopted interim rules requiring reporting of all short positions above a certain de minimis threshold and may adopt or enact additional rules requiring public disclosure of short positions in the future. In addition, other non-U.S. jurisdictions where a client trades have adopted or may adopt reporting requirements. If a client’s short positions or its strategy become generally known, it could have a material or significant effect on our ability to implement or effect our investment strategies. In particular, it would make it more likely that other investors could cause or lead us into a “short squeeze” in the securities held short by a client, forcing us or the client to cover its positions at a loss. Such reporting requirements likely would also limit our ability to access management and other personnel at certain issuers where we seek to take or establish a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as our clients, the cost of borrowing securities to sell short could increase significantly and the availability of such securities to our clients could decrease significantly. The SEC has adopted various restrictions or limitations on the short sale of securities which fall more than 10% in a given day (referred to as the “circuit breaker” or “modified uptick rule”). The SEC and regulatory authorities in other jurisdictions could adopt (and in certain cases have adopted) bans or restrictions or limitations on short sales of certain securities or short sales with respect to certain issuers in response to significant market events. Restrictions, limits or bans on short selling would make it more difficult for our clients or us to execute or effect certain investment strategies and may have a material adverse effect on our clients’ ability to achieve their investment objectives and generate returns.

*Equity Risks.* We invest client assets in equity and equity derivative securities. The value of these securities generally varies with the performance of the issuer and movements in the equity markets generally and for specific sectors. As a result, clients may suffer losses if we invest client assets in equity securities of issuers whose performance falls below market or our expectations or if the equity markets generally or specific sectors decline and we have not adequately hedged against such a decline. Clients are exposed to risks that issuers will not be able to fulfill their contractual obligations, such as delivering marketable common stock upon conversions of convertible securities, registering restricted securities for public resale and maintaining listings on exchanges.

*Small Cap Investments.* At any time, our portfolio may include significant investments in smaller sized companies of a less seasoned nature whose securities are traded in the over-the-counter market. The stocks of such companies may be more volatile in price and have lower trading volumes than the larger capitalization stocks included in the S&P 500 Index. Our investments in such companies may represent significant amounts of the actively traded shares of the respective issuers. Accordingly, the aggregate market value of such investments in such companies may not be representative of the actual proceeds that would accrue to our clients in the event of sale.

*Long Term Nature of Investments.* We generally utilize a buy and hold investment strategy in which we buy securities on behalf of our clients and hold them for a relatively long period of time, regardless of short-term factors such as market fluctuations or stock price volatility. Client investments are suitable only for prospective investors who can bear the risk of fluctuations in the value of their investment.

*Discretion and Changes in Investment Strategy.* We have discretion in choosing client investments and generally have the right to modify the selection criteria or hedging techniques (if any) used without the consent of clients or investors. Any of the investment strategies, analytical models, or trading techniques may have operational or theoretical shortcomings, which could result in unsuccessful trades and, ultimately, losses to our clients. In addition, any new investment strategy or hedging technique developed may be more speculative than earlier techniques and may increase the risk to clients and investors.

*Concentration.* Client investments are not required to be diversified to any material extent and our investment strategy tends to favor a highly concentrated portfolio. Accordingly, at any given time, it is likely that client investments or portfolio risks will be concentrated in only a few industries, companies, geographic regions, asset types, strategies or other areas of risk. This limited diversity could expose our clients to losses disproportionate to market movements in general. Even if we attempt to control risks and diversify the portfolio, risks associated with different assets may be correlated in unexpected ways, with the result being that our clients face concentrated exposure to certain risks. In addition, many investment funds pursue similar strategies, which creates the risk that many funds would be forced to liquidate positions at the same time, reducing liquidity, increasing volatility and exacerbating losses.

*Competition.* The markets in which we participate, as well as other markets and strategies, in which we may participate, are extremely competitive. There can be no assurance that we will be able to identify or successfully pursue attractive investment opportunities in this environment. Clients and investors should expect that client investments will involve substantially more company-specific and market risk and associated volatility in the future than in the past, as arbitrage and similar opportunities are further reduced or eliminated. We compete with many firms that have substantially greater financial resources, more favorable financing arrangements, larger research staffs and more securities traders than are available to us.

*Risks of Realization on Investments.* Given the nature of the investments made by us on behalf of our clients, there is a risk that we may be unable to realize client investment objectives by sale or other disposition of client investments at attractive prices or will otherwise be unable to complete a suitable exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic conditions and changes in laws, regulations, fiscal policies or political conditions.

In addition, we generally are not able to sell investments in privately held companies unless their sale is registered under applicable securities laws or unless an exemption from such registration requirements is available. In some cases clients and investors may also be prohibited by contract from selling such securities for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate.

*Off-Balance Sheet Risk.* In the normal course of business, we may invest client assets in financial instruments with off-balance sheet risk. These instruments include forward contracts, swaps and securities and options contracts sold short. An off-balance sheet risk is associated with a financial instrument if such instrument exposes the investor to an accounting and economic loss in excess of the investor's recognized asset carrying value in such financial instrument, if any; or if the ultimate liability associated with the financial instrument has the potential to exceed the amount that the investor recognizes as a liability in the investor's statement of assets and liabilities. Additionally, in the normal course of business, we, on behalf of our clients, may purchase long positions in option contracts that do not have off-balance sheet-risk.

*Hedging Transactions.* We may utilize financial instruments on behalf of our clients, both for investment purposes and for risk management purposes, in order to: (a) protect against possible changes in the market value of a client's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (b) protect a client's unrealized gains in the value of the client's investment portfolio; (c) facilitate the sale of any such



investments; (d) enhance or preserve returns, spreads or gains on any investment in a client's portfolio; (e) hedge against a directional trade; (f) hedge the interest rate or currency exchange rate on any of a client's liabilities or assets; (g) protect against any increase in the price of any securities we anticipate purchasing on behalf of a client at a later date; or (h) for any reason that we deem appropriate.

The success of hedging strategies depend, in part, upon our ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of our hedging strategy is subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While we may enter into hedging transactions on behalf of our clients to seek to reduce risk, such transactions may result in a poorer overall performance for the client than if we had not engaged in such hedging transactions. For a variety of reasons, we may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent clients from achieving the intended hedge or expose clients to risk of loss. We will not be required to hedge any particular risk in connection with a particular transaction or client portfolios generally. Moreover, it should be noted that the portfolio will always be exposed to certain risks that may not be hedged. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of client portfolio holdings.

*Risks of Derivatives.* Clients may use derivative instruments. In many cases, derivatives provide the economic equivalent of leverage by magnifying the potential gain or loss from an investment in much the same way that incurring indebtedness would. Many derivatives provide exposure to potential gain or loss from a change in the market price of an investment (or a basket or index) or other event or circumstance in a notional amount that greatly exceeds the amount of cash or assets required to establish or maintain the derivative contract. Accordingly, relatively small price movements in the underlying investment or other events or circumstances may result in immediate and substantial losses to clients. In some cases, a client's exposure under a derivative contract will be limited to the amount invested (for example, when a client buys a call option). In other cases, the derivative contract will create an open-ended obligation (for example, when a client writes a call option). Many derivatives, particularly those negotiated over-the-counter, are substantially illiquid or could become illiquid under certain market conditions. As a result, it may be difficult or impossible to determine the fair value of the client's interest in such contracts. Many derivative contracts involve exposure to the credit risk of the counterparty, because the client acquires no direct interest in the underlying investment, but instead depends on the counterparty's ability to perform under the contract. Further, if and when the client takes economic exposure through a derivative, it generally does not have any voting rights and may not be able to pursue legal remedies that would be available if it invested directly in the underlying investment.

Many derivatives also involve substantial legal risk and uncertainty, because the terms of the contract may be difficult to draft, apply, interpret and enforce, particularly in the context of unforeseen market conditions or events. In many cases, the counterparty has discretion (either pursuant to the express terms of the contract or in practice) to interpret the contract, make required calculations and demand or withhold payments in the manner most favorable to the counterparty and most unfavorable to clients. An adverse interpretation or calculation under one derivative contract could trigger cross-defaults with other contracts and could have a materially adverse effect on client liquidity and performance. Any dispute concerning a derivative contract could be expensive and time consuming to resolve, particularly given the potential for complex and novel legal issues and the involvement of multiple legal jurisdictions. Even a favorable resolution could come too late to prevent cross-defaults, trading losses and material liquidity problems.

*Volatility Risk.* Client investment programs may involve the purchase and sale of equity derivatives and other financial instruments that are valued to some extent based on expected, implied or realized volatilities of various securities. Fluctuations or prolonged changes in the volatility of securities, therefore, can materially and adversely affect the value of securities held by client portfolios.

*Relative Value and Directional Movements.* The success of our clients' investment strategies depends upon our ability to accurately predict future price movements or the convergence of market prices toward the theoretical values expected by us. Any such attempt to predict future price movements is inherently risky and inaccurate.

Often, price movements are determined by factors that were not anticipated by us and over which we have no control, and our analysis of known factors may prove to be incorrect, in each case potentially resulting in substantial losses for our clients.

*Risks of Foreign Investments.* We may invest client assets in financial instruments of foreign corporations, including those in developing nations and emerging markets. Investing in the financial instruments of companies outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. companies, including political and economic considerations, such as greater risks of expropriation, nationalization and general social, political and economic instability; imposition of withholding and other taxes on dividends, interest, capital gains and other income; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict client investment opportunities or their ability to repatriate funds. Such considerations also apply to, and could increase the risks associated with, holding positions in custodian accounts located in or governed by the laws of other countries. In addition, accounting and financial reporting standards that prevail outside of the United States generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the United States than for those located in the United States. Financial instruments traded on foreign exchanges and the foreign nationals or entities that trade these instruments are generally not subject to the jurisdiction of the SEC or the U.S. Commodity Futures Trading Commission or other securities laws and regulations of the United States. Accordingly, the protections accorded to clients under such laws and regulations may be unavailable for transactions on foreign exchanges and with foreign counterparties.

*Portfolio Turnover.* We generally are not restricted in effecting client transactions by any specific limitations with regard to their portfolio turnover rate. Although not anticipated, client investment policies might result in substantial portfolio turnover. Investments may be sold for a variety of reasons, such as a more favorable investment opportunity or other circumstances bearing on the desirability of a continued position in such investments.

*Leverage and Liquidity Risks.* Clients may borrow funds to utilize leverage when we deem appropriate, including to enhance client returns and for cash management purposes (e.g., short-term borrowings to make investments in anticipation of additional subscriptions and to fund withdrawals). Clients may borrow funds from brokers, banks and other lenders to finance its investing and trading operations, which borrowings may be secured by client assets. The use of such leverage can, in certain circumstances, maximize the losses to which a client's investment portfolio may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that a particular asset or a client as a whole is leveraged. The cumulative effect of the use of leverage by a client in a market that moves adversely to the client's investments could result in a substantial loss to the client, which would be greater than if the client was not leveraged. Leverage may be achieved through, among other methods, direct borrowing and purchases of securities on margin and the use of options and other derivatives. Further, the current economic environment and investor concerns regarding the U.S. or international financial systems has caused some lenders to impose more stringent restrictions on terms of credit and additional adverse economic changes could result in further restrictions being imposed or a general reduction in the amount of credit available in the markets in which a Fund will seek to invest. Any decline in available funding or access to our cash and liquidity resources could, among other risks, adversely impact the Funds' ability to make investments and generate returns.

The use of margin and short-term borrowings creates several risks for clients. If the value of a client's securities falls below the margin level required by a prime broker, additional margin deposits would be required. If a client is unable to satisfy any margin call by a prime broker, then the prime broker could liquidate the client's position in some or all of the financial instruments that are in the client's accounts at the prime broker and cause the client to incur significant losses. Furthermore, secured counterparties and lenders may have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of collateral posted by a client. This could increase exposure to the risk of a counterparty default since, under such circumstances, the client may be unable to recover the posted collateral promptly or may be unable to recover all of the posted collateral. The occurrence of defaults may trigger cross-defaults under the client's agreements with other brokers, lenders, clearing firms or other counterparties,

creating or increasing a material adverse effect on the performance of the client.

The purchase of options and other derivative instruments generally involves little or no margin deposit and, therefore, will provide substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to clients.

In addition, certain of the companies in which we may invest client assets may have significant leverage. The leveraged capital structures of our clients and companies in which we make client investments also increase exposure to adverse economic factors such as rising interest rates, downturns in the economy and/or deterioration in the condition of the company or its industry. Such increased exposure to adverse economic factors may decrease the overall return on investment realized by our clients from the overall return on investment that may have been realized if leveraged capital structures had not been used by our clients or the companies in which we make client investments.

*Interest Rate Risks.* Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes have recently affected and may continue to affect the value of debt investments indirectly (especially where there is a fixed interest rate) and directly (especially where there is an adjustable interest rate). Rising interest rates have recently negatively impacted, and to the extent of additional increases in such rates will continue to negatively impact, the price of fixed rate debt instruments. To the extent interest rates fall in the future, such falling interest rates are generally expected to have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner, typically to a lesser degree. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. In addition, recent interest rate increases have, and any additional future interest rate increases generally will, result in financing for property purchases and improvements being more costly and difficult to obtain. Further, increases in interest rates after an investment has been acquired by a Fund may negatively impact the valuation of such investment.

*Counterparty Risks.* We enter into many transactions with third parties (*i.e.*, borrowers, custodians, prime brokers, etc.) in which the failure or delay of the third party to perform its obligations under a contract with a Fund could have a material adverse effect on such Fund. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of a counterparty's insolvency on us, our clients' and their assets. Changing circumstances and market conditions, generally beyond our control, could impair our ability to access our existing cash, cash equivalents or investments. Investors should assume that the insolvency of any of our financial institutions, prime brokers or other counterparties would result in the loss of all or a substantial portion of our clients' assets held by such financial institution, prime broker or counterparty. Although the Funds are not a borrower or party to any financial instruments with SVB, Signature or any other financial institution currently in receivership, the effects from such bank failures have extended to First Republic Bank, which serves as one of the Funds' custodian. If any of the Funds' financial institutions or counterparties, including First Republic Bank, were to be placed into receivership, there is no guarantee that the Department of the Treasury, the Federal Reserve or the FDIC will intercede to provide the Funds or other depositors with access to balances in excess of the \$250,000 FDIC insurance limit, that the Funds' would be able to access their existing cash, cash equivalents or investments, or that the Funds would be able to adequately fund investments, any of which could have a material adverse effect on the Funds and/or the investors. Any losses would be borne by the Investors. In addition, if any of our counterparties are unable to access funds pursuant to such instruments or lending arrangements with such a financial institution, such parties' ability to pay their obligations to us or to enter into new commercial arrangements requiring additional payments to us could be adversely affected. In this regard, counterparties to credit agreements and arrangements with banks in receivership, and third parties such as beneficiaries of letters of credit (among others), may experience direct impacts from the closure of such financial institutions and uncertainty remains over liquidity concerns in the broader financial services industry.

Some of the markets in which we may effect client transactions are "over-the-counter" or "inter-dealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes clients to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing clients to suffer a loss. In addition, in the case of a

default, a client could become subject to adverse market movements while replacement transactions are executed. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where a client has concentrated its transactions with a single counterparty or small group of counterparties. See “Brokerage and Custody.”

We may use counterparties located in jurisdictions outside the United States. Such counterparties are subject to the laws and regulations in non-U.S. jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to client assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on clients and their assets.

Clients are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, our internal process for evaluating the creditworthiness of its counterparties may prove insufficient. The ability of a client to transact business with any one or more counterparties, the lack of complete and “foolproof” evaluation of the financial capabilities of the client’s counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by our clients.

*Cyber Security Breaches and Identity Theft.* We, our clients and our respective service providers depend on information technology systems and, notwithstanding the diligence that we may perform on such service providers, we may not be in a position to verify the risks or reliability of such information technology systems. We, our clients and our respective service providers are subject to risks associated with a breach in cybersecurity. “Cybersecurity” is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. Our, our clients’ and our service providers’ information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although we and our affiliates have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, we and/or our clients may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in our and our clients’ operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm our or our clients’ reputations, subject any such entity and its respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to our clients or individual investors by interfering with our or any affiliates’ operations. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose one or more of our clients or us to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and clients may be required to indemnify us against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH OUR INVESTMENT STRATEGIES. PROSPECTIVE CLIENTS AND INVESTORS SHOULD READ THIS BROCHURE AND ALL OTHER APPLICABLE DISCLOSURE MATERIALS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.**

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

Neither we nor any of our employees have been involved in any legal or disciplinary events related to past or present investment clients or investors.

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

Not applicable.

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

### **CODE OF ETHICS**

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our employees. Our code of ethics is primarily designed to educate employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to clients, encourage employees to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address conflicts of interest that arise from personal trading by employees. Among other things, we impose restrictions on access persons relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. We also maintain certain policies and procedures designed to prevent employees and principals from misusing material non-public information. We will furnish a copy of our code of ethics to clients and investors upon request.

### **PERSONAL TRADING**

Access persons generally are prohibited from purchasing or selling individual securities in their personal trading accounts (without the prior written consent or approval of the Chief Compliance Officer). Notwithstanding the foregoing, access persons generally are permitted to purchase or sell index securities and mutual funds for their own personal accounts. Our Code of Ethics sets forth our practice of monitoring and supervising the personal securities transactions of access persons. Pursuant to our policies, none of our supervised persons should prefer his or her own interest to that of an advisory client (or place his/her own interests above the interests of our advisory clients) or make personal investment decisions based on the investment decisions of advisory clients. To supervise compliance with our Code of Ethics, we require all of our access persons to provide annual securities holdings reports and at least quarterly transaction reports to the Chief Compliance Officer. The Chief Compliance Officer reviews such reports on a periodic basis to ensure compliance with our policies and procedures and in an attempt to identify any red flags. Our Code of Ethics also requires that all access persons obtain pre-approval before directly or indirectly acquiring a beneficial ownership interest in any initial public offering or private placement. We have also established a restricted list that contains securities in which access persons may not trade. Securities on the restricted list generally include issuers about which the firm has inside information or has entered into a relationship likely to lead to inside information (as well as any additional securities that may be restricted for other reasons). We also strictly prohibit “front-running” client accounts (which is the practice of executing orders for an employee’s personal account while taking advantage of advance knowledge of pending orders from its clients).

### **OTHER ACTIVITIES**

We and/or one or more of our affiliates may, directly or indirectly, organize, sponsor and/or manage other limited partnerships or other pooled investment vehicles (each, a “Related Fund”) in the future. No such Related Fund shall be precluded from co-investing with the Funds.

We devote such time to each client’s affairs as we deem consistent with the client’s goal of achieving its investment objectives. Notwithstanding the foregoing, neither we nor any of our affiliates are prohibited from engaging in any activity whatsoever permitted by applicable law. We and our affiliates may engage and hold interests in other business ventures of every kind and description for our own accounts including, without limitation, other investment entities similar to our clients, whether or not such business ventures are in direct or indirect competition with our clients, and whether or not any client or investor also has an interest therein, without having to account to us or any client for any profits or other benefits derived therefrom and without incurring any obligation to offer any interest in any such activity to clients or investors.

## Item 12: Brokerage Practices

### **SELECTING BROKERAGE FIRMS**

In general, we have authority to select the brokers and other counterparties to be used for client transactions and negotiate commission rates and other monies paid by clients. We generally select broker-dealers on the basis of obtaining the best overall terms available, which we evaluate based on a variety of factors, including, among other things: the broker's ability to effect the transactions; its facilities, reliability and financial responsibility; and the provision or payment by the broker of the costs of research and research-related services which are of benefit to us and our clients. Because commission rates in the United States as well as other jurisdictions are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

### **BEST EXECUTION**

In placing orders for the purchase and sale of securities, we generally seek best net execution, which includes both commissions and execution prices. Orders are placed with brokers or dealers which we believe to be responsible and provide effective execution of client orders under conditions most favorable to client accounts.

### **SOFT DOLLAR PRACTICES**

We may use soft dollars generated by client accounts to pay for certain research and/or related services provided by brokers described above. The term "soft dollars" refers to the receipt by an investment manager of products and services (including research) provided by brokers without any cash payment by the investment manager, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment manager. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

Using soft dollars to obtain investment research and/or related services creates a conflict of interest between us and our clients. Soft dollars may be used to acquire products and services that are not exclusively for the benefit of clients which paid the commissions and that may primarily or exclusively benefit us. If we are able to acquire these products and services without expending our own resources (including management fees paid by clients), our use of soft dollars would tend to increase our profitability. Furthermore, we may have an incentive to select or recommend brokers based on our interest in receiving research or other products or services, rather than on our clients' interest in receiving most favorable execution. We may cause clients to pay commissions (or markups or markdowns) higher than those charged by other brokers in return for soft dollar benefits.

Soft dollar benefits generally are used to service all of our clients. We seek to allocate soft dollar benefits among client accounts in a fair and equitable manner under the circumstances, but there can be no assurance that we will be successful in this regard.

At this time, we have no existing formal soft dollar arrangements in place and have no present intention to enter into soft dollar arrangements in the future, other than with respect to research and other similar items provided by brokers.

During the last fiscal year, we did not acquire any soft dollar items.

Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a safe harbor to advisers who use soft dollars generated by client accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to us in the performance of investment decision-making responsibilities. We intend that any soft dollars that we receive in connection with client-related matters would be within the limitations set forth in Section 28(e) of the Exchange Act.

### **BROKERAGE FOR CLIENT REFERRALS**

In selecting or recommending brokers, we generally do not consider whether we or our related persons receive



client or investor referrals from such brokers.

**DIRECTED BROKERAGE**

We do not recommend, request or require clients to direct us to execute transactions through a specified broker-dealer. We also do not permit a client to direct brokerage for order execution purposes.

### **Item 13: Review of Accounts**

#### **REVIEWS OF ACCOUNTS**

Jonathan Weinstein, as our Chief Compliance Officer, reviews all client securities transactions, and Mark A. Cohen, as our Managing Member, generally conducts reviews of the Funds, on a daily basis. With respect to accounting matters, we have engaged a nationally-recognized, independent public accounting firm to conduct annual audits of the Funds.

Each Fund is reviewed to assess performance to date in light of the Fund's investment objective, investment activity to date and an evaluation of any appropriate changes in the Fund's portfolio.

#### **REPORTS TO INVESTORS**

We provide annual audited financial statements and annual U.S. income tax information to investors in the Funds. We also provide clients and investors with periodic performance reports. All such statements and reports are written. In addition, we may provide additional information to certain clients and/or investors that is not distributed to other clients and/or investors.

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

### **THIRD PARTY COMPENSATION**

Except as described in Item 12 above, we currently do not receive any economic benefit from any person who is not a client for providing investment advice or other advisory services to our clients.

### **REFERRALS**

We currently do not compensate any third party for client or investor referrals.

### **Item 15: Custody**

We may be deemed to have custody of the Funds' cash and securities for purposes of Rule 206(4)-2 under the Advisers Act. In accordance with Rule 206(4)-2, the Funds' cash and securities (except for privately placed securities) generally are held with one or more qualified custodians. We may change the custodians at any time and from time to time without the consent of, or notice to, investors. We have engaged an independent public accounting firm to conduct an annual audit of each Fund, and audited financial statements (prepared in accordance with generally accepted accounting principles) are provided to investors on an annual basis. We attempt to provide such statements to investors within 120 days after the end of each fiscal year, but there can be no assurance that we will be successful in this regard. Qualified custodians do not provide statements directly to investors in the Funds.

## Item 16: Investment Discretion

### **DISCRETIONARY AUTHORITY**

We have discretionary power and authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of the Funds. We have authority to determine the broker-dealer or other counterparty to be used for transactions and the negotiation of commission rates and other consideration to be paid by the Funds.

### **LIMITED POWER OF ATTORNEY**

Each investor in the Funds generally grants us a limited power of attorney to enable us to take certain actions with respect to the Funds. Each Fund also grants us a power of attorney to engage in authorized trading on its behalf.

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

We have the authority to vote proxies with respect to securities owned by the Funds and have adopted proxy voting policies and procedures in our compliance manual. In general, our policy is to vote proxy proposals, amendments, consents or resolutions in a manner that serves the best interests of the Funds, as determined in our discretion, and our proxy voting policy. We may determine not to vote proxies in respect of securities of any issuer if we determine it would be in the Funds' overall best interests not to vote. Investors generally may not direct or otherwise influence our vote with respect to any particular proxy solicitation.

Investors may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.

**Item 18: Financial Information**

Not applicable.