

From: Michael Fowler <[REDACTED]>
To: Lesley Groff <[REDACTED]>
Subject: Commercial Points for SMA
Date: Fri, 02 May 2014 19:16:03 +0000

Lesley,

Would you be so kind as to forward this along to Jeffrey.

After speaking with Darren last evening, he suggested that we outline the key Ts&Cs so he can draft an IMA and wrap up the commercial terms we haven't discussed yet. In order to move the process as quickly as possible we propose the following terms

1. Amount & Structure:

- a) 10MM, Managed Account (SMA), Investment Manager is Atorus, LLC (a RIA)

2. Compensation:

- a) 2% fee annualized / paid monthly on NAV at start of month

- b) 20% above high water mark paid monthly at month end; high water mark reset monthly - (we believe annual misaligns incentives, especially as our results are not skewed over short term by any one single position or issues with marking the book)

3. Expenses:

- a) Reasonable direct fund expenses covered by SMA against NAV / high water mark – i.e. Data access, audit, and legal related to SMA etc.

4. Lock Up:

- a) 30-days notice unless in case of violation of risk parameters

5. Risk Parameters:

- a) No more than 10% from original capital, as already agreed
- b) No more than 20% draw down from a peak (never more than 10% from original capital) – this will allow us to leverage into winning trades and optimize potential return (high Sortino Ratio overall)

6. Trading:

- a) We trade G20 local market listed equities, Futures (equity index, commodities, and rates), FX (directional risk and to hedge FX on non USD denominated securities), Options listed and OTC (to hedge single stock event risk), OTC credit products i.e. G20 Rates, IBOXXHY and Citi WGBI (may require ISDA).
- b) Prefer to transact via Bloomberg FIX connection
- c) Darren indicated existing relationships with Deutsche Bank and Ameritrade. I spoke to Ameritrade Institutional today and they don't have connectivity to Euro and Asian G20 markets. As such DB would likely be ideal given the securities we intend to trade, but want to be sure we can execute trades away so as to minimize transaction costs (we don't need to pay to interact with sell-side research analysts) and perhaps earn rebates

(paid into the SMA) given our trading style (VWAP based and hence a "liquidity provider" can receive a rebate/credit paid to SMA)

Happy to discuss anytime any of these points and explain our thinking behind them and come to a quick agreement.

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Best Regards,

Michael J. Fowler

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