



We Stand Out From the Crowd

ETFs. Options. Equities.

Event-Driven Arbitrage / M&A / Delta One

WB
WallachBeth
Capital LLC

Sourcing Liquidity...At The *Right Price*™

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This material, along with our website, is intended to provide you with a first look at WallachBeth Capital. After your review, we look forward to meeting with you and to propose how we can add value to your trading desk operations.

Your business is much like ours; bottom-line performance is the key benchmark for those that entrust us to help meet their investment goals. Equally important, we each serve as fiduciaries and we're obliged to exceed the highest standards of excellence when serving our clients.

While you're focused on managing portfolio strategies that deliver consistent Alpha, we help execute those strategies by delivering the most favorable prices obtainable, whenever you enter or exit a trading position.

We created WallachBeth to fill a void that remains persistent throughout the Industry. We serve as un-conflicted trade execution advocates for those employing ETFs, option-related hedging techniques, Delta One tactics and event-driven equity and index strategies.

Our "model" is designed for a select universe; those that appreciate the benefit of experts whose core competency includes the ability to discretely decipher and navigate markets that are ever-more fragmented, frequently volatile, and often, seemingly illiquid.

Because our team of 35+ Industry veterans includes former major exchange specialists, risk centric market-makers, highly-accomplished institutional sales/traders, and "upstairs" principal traders that previously worked for leading banks and Tier 1 fund managers, we have a unique understanding of the products that we specialize in, and their respective trading market dynamics.

When working with us, you'll also find that we're outspoken on the topic of best execution. We believe that securing the best price obtainable with minimal-to-no impact requires a special skill set. When those skills are applied on a routine basis, managers benefit from improved operating efficiency and portfolio returns.

To those that tell us "we really don't care about the few extra pennies that we could have saved on a particular trade," we respectfully suggest:

1. Based on our own extensive experience, along with feedback from an assortment of institutional managers, RIAs, and hedge fund traders, those "few extra pennies" can add up to significant dollars for active fund managers who oversee sizeable assets.
2. The market impact cost of failing to secure the right price on a block trade can have a "long tail effect"; one that can adversely impact your portfolio holding and your overall performance.
3. Relying on one, two, or even a select group of liquidity providers who might happily "take the other side" of your trade does not necessarily mean that you're receiving true best execution.
4. Securing the right price on any particular transaction requires not only sophisticated trading system technologies that connect to a wide array of electronic market centers (visible and/or "dark"), but equally important, it demands having immediate access to a liquidity pool that's literally filled with both a broad *and* diverse assortment of capital-centric providers, and the ability to compel them to compete on price improvement.

Our model for securing the right price for our clients is actually quite simple, but not easily replicated. We have many contemporaries throughout the Industry, but few, if any that we consider to be competitors.

We operate on a fully-disclosed basis and execute *for* our customers, not against them. We handle every order as if it were our own.

A handwritten signature in black ink, appearing to read 'Michael Wallach', written in a cursive style.

Michael Wallach, CEO

A handwritten signature in black ink, appearing to read 'David Beth', written in a cursive style.

David Beth, President & COO

About Us

We're Industry Veterans. The executive leadership of our firm provides **5 decades of trading and order execution expertise** that extends across all asset classes.



Our Specialty is **best execution** for

ETFs, **Equity Options**, **Index Products**, **Listed & OTC Equities**, and non-US equities.



We Serve the Industry's leading hedge funds, institutional managers, Tier 1 Banks, principal trading firms, and primary market-makers.

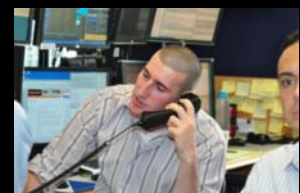
Our role is to demystify the challenges of navigating and executing orders within highly-fragmented markets and to **help enhance your Alpha.**



We Deliver Unheralded Capital Commitment when reflecting the most competitive bids and

offers extended by the world's leading banks, principal trading desks, and market-makers. In every pricing contest, our customer is the ultimate winner.

We provide the beacon of transparency in a sea of dark pools and seemingly illiquid markets.



Clients Trust in our ability, talent and integrity.

Q&A

Q. I'm familiar with the term "inter-dealer-broker," aka "IDB"; a broker that serves as intermediary between competing sell-side broker/dealers for the purpose of maintaining anonymity. Why does WallachBeth refer to the firm as "inter-market broker."

Wallach: We go far beyond the typical sell-side boundaries, which is the universe that IDB's limit themselves to.

Our trading relationships extend not only across the spectrum of competing Tier 1 sell-side facilitation desks, but also include high-touch prop trading and market-making firms, along with a wide range of hedge funds and other buy-side managers; all of whom actively trade the underlying cash instruments, options, futures, fixed income or commodities that map to the products that we specialize in.



Q. The industry at large emphasizes the phrase "best price execution", yet WallachBeth refers to "execution at the right price" as one of your value propositions. What's the distinction between the two phrases?

Wallach: "Best Ex" is a broadly-interpreted phrase; it means different things to different people. Best Ex metrics are merely derived from one-dimensional pricing data displayed on trading screens.

The fact is that, screens, including Level II, rarely display what is *actually* obtainable at a given point in time, simply because most traders won't show their "best hand" on a screen. Although we necessarily provide independent Best Ex analytics, there's no such thing as a truly accurate 360° Best Ex "view" for those trading volatile products, complex option spreads, or seemingly illiquid ETFs.

When we say "right price", it's the best obtainable price with the least market impact within the context of the actual liquidity available, displayed and hidden. That's our definition of best execution.

Q. The issue of "capital commitment trades" or principal vs. "agency-execution" is a topic of ongoing and spirited debate. Where does WallachBeth sit in this discussion? And, why would I call you instead of calling or directing my order to my prime broker or my custodian's facilitation desk?

Beth: The "need" for capital commitment is *typically* driven by a sense of urgency on the part customer who wants to quickly liquidate, or acquire a large block of stock or a complex options position. In a perfect world, a "principal trader" is also extending the best price that can be obtained in that split-second moment in time. But the world isn't always perfect.

WallachBeth discretely aggregates the Industry's foremost capital commitment providers, often in less time than a customer might get a quote from a single "principal desk." In many (*but not all*) cases,



*we can prove to be the **de facto**, single source of a particular product's total capital-centric liquidity that's immediately available to transact with.*

That said, we also know that certain customers are compelled to direct orders to their custodian or "PB" when there's an obligation to compensate for research or other "value-added" services received from the PB.

Wallach: We know the pendulum swings both ways. The 'agency-only' proposition is obviously compelling to managers who need to distance themselves from *any* potential conflicts of interest that their counterparty might have when offering a trade price.

On the other hand, a principal trader is taking on risk in consideration for providing the customer immediate gratification. *Nobody takes on risk without being compensated, and the fee paid for a capital commitment trade is necessarily a premium vs. an agency rate.*

The higher rate paid for a principal trade vs. agency execution might be justifiable at the time, or it might *seem* nominal to some customers. **For Alpha-centric managers, our aggregation model and our networking approach to securing the best price can noticeably enhance a manager's overall performance.**



Speaking as a long-time principal trader, I'd argue that almost every order is best executed only after *properly* canvassing the market for price improvement. The perceived need to execute "on the wire" can, in hindsight, prove to be very costly in more ways than one.

Q. Can WallachBeth administer customized orders or program orders?

Beth: Absolutely. Many of our clients depend on us to execute VWAP, TWAP and algo-dependent strategies. Our trading system technology connects to all market centers and supports a full-range of order types, including sophisticated option-related orders.

Q&A (continued)

Q. Client "A" often requires step-out trades, average trade price reporting, and often, their trades need to be allocated and reported to more than one custodian. Does WallachBeth accommodate this type of reporting?

Beth: Yes, we do this for every client that requires it.

We use a very sophisticated technology platform that blends front-end DMA, EMS & OMS with a full range of back-office modules. This enables us to seamlessly accommodate just about any type of the most



demanding customer requirement, from "best ex metrics" to Commission Sharing Agreements, corporate action and other regulatory reporting.

Q. What type of research or market commentary does WallachBeth provide?

Wallach: We purposefully don't provide a *traditional* research product, only because research generally infers a recommendation for a trade idea.

That said, we necessarily *do* provide objective trading market insight, and, given our option market and event-driven arb background, we're inevitably asked to provide tactical guidance for delta-centric, correlation, and/or strategies predicated on current implied volatility vs. relative value.

Q. When comparing institutional brokers, what makes WallachBeth unique?

Beth: Our culture and our approach to executing orders is much different than any other firm we know of. We have a team-based, customer-service model; our clients have a relationship with our *firm*, and are not dependent on a particular 'covering broker.'

When you look at our team member bios', you'll find real trading market veterans with unparalleled experience and product knowledge.

In "former lives," we were trading floor specialists at major stock and option exchanges, OTC market-makers, open-outcry trading pit brokers, upstairs proprietary fund managers, and traders that ran

risk arb and facilitation desks at Tier 1 banks. Several of us were also instrumental in developing trading system technologies that are now used throughout the Industry. You simply won't find that combination or caliber of professional at a typical "institutional broker."

Q. Aside from transaction costs, every buy-side manager is focused on internal infrastructure and operating costs. From the perspective of a buy-side client, how does WallachBeth improve a customer's "operating efficiency"?

Beth: More than a few of our customers view us as a turnkey, but otherwise captive trading department. We provide **3 dozen expert traders**, an Olympic-size liquidity pool, all of the 'bells and whistles" with respect to trading and back office technology, and all without our customer(s) having to incur 1 penny of overhead with respect to office space, equipment, salaries, benefits or bonus.

Wallach: Let's not forget the "Alpha" element, which is the real benchmark for operating efficiency. By virtue of consistently getting better price executions than what you might have received from a different firm, what might *seem* like a few pennies better "here and there" can actually make a real difference to overall operating efficiencies for any active manager.

Q. No doubt the depth and experience of the WallachBeth team is compelling, is there anything else that sets you apart?

Wallach: Anybody that knows us, or anybody that's observed our trading floor knows that *every* customer order, however small, however big, or however complex, is treated as if it were *our own order*, for own account.



It might sound like a cliché to some, but we truly believe that our revenue is derived from commissions that we earn,

and that our profit is the trust that we've created.



Options Desk

The WallachBeth Options Desk is the right option for a vast majority of trading market professionals who, in the course of executing sophisticated strategies, seek connectivity to major liquidity centers as well as principal option market-makers, facilitation and prop trading desks at major broker-dealers, and sophisticated hedge funds.



For those that weigh listed and OTC option market experience as the deciding factor when selecting who to trust with the execution of complex option strategies, each of our Managing Directors has no less than 20 years experience.



Collectively, we've served as prop traders, major option exchange market-makers and floor brokers, and "upstairs" institutional options brokers, including senior roles for the world's leading banks and inter-dealer brokers.

Several of us, including our firm's two principals, began their options trading and broking careers in the early 1980's, and we've been instrumental in the design of electronic options markets and the development of a range of listed and OTC option and index-related products.



Few, if any, options market trading desk exceeds our ability to thoughtfully and discretely administer the most challenging market-sensitive orders.



Some think that we've forgotten what many option traders and brokers will never learn. That's simply not true.



Delta One Desk

Delta One transactions are complex and often intersect a cross-section of products and strategies that include ETFs, option synthetics, equity index swaps, single stock futures, single stock swaps, equity forwards, and the securities lending market.



Working in tandem with our Options Desk and ETF Desk, **the WallachBeth Delta One Desk serves equity finance, repo traders and sophisticated corporate treasurers** tasked with implementing cost effective, delta neutral strategies when rebalancing and repackaging portfolios, mitigating portfolio structure risk via arbitrage strategies, and capitalizing on corporate actions.



Our Delta One team includes OTC trading market veterans who formerly managed global bank trading, broking and risk management divisions.

It's not only Banks that bank on WallachBeth. **We serve as a reliable intermediary in the course of identifying and pairing natural counterparties while facilitating the execution of rev/con, "hard-to-borrow," arbitrage opportunities between structures, and optimizing respective balance sheets.**



We're agnostic and multi-lingual, including being fluent in the "Greeks" i.e. delta, gamma, theta, beta, rho, and/or vega.



M&A / Special Situations Event-Driven Trading Desk

Corporate actions that lead to acquisitions and/or mergers within the public-company arena are inherent elements to every business cycle. The degree of activity is necessarily driven by the current economic environment, the relative performance of individual companies, competition within respective industries, regulatory changes, innovation, and of course, capital market financing.



The ability to objectively qualify news events, corporate filings, and skillfully decipher trading market activity are the key components to executing short and long-term M&A trading and investment strategies.

Our Event-Driven/M&A trading team is led by experts that provide an objective assessment of the events and actions that serve as the catalyst for opportunistic trading strategies. We serve sophisticated hedge funds, institutional portfolio managers, and Tier 1 sell-side traders who seek an unqualified perspective.



In today's markets,

it's easy to get trampled by a lot of bull.

**When it comes to ETF Best Execution
You're either getting it, or you're not.**

Our customers get it. No bull.

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Sourcing Liquidity...At The *Right* Price™



When it comes to getting the *best* price for your ETF orders,
the other brokers like to give you lip service.

Sorry, we don't do that.

We just give you Best Execution.

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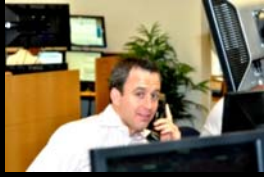
Sourcing Liquidity...At The *Right* Price™

ETF & Cash Trading Desk



Transforming the way you trade ETFs...Our Only Goal is get the best possible execution for our clients.

With upwards of 1000 exchange-listed products, the secondary market for ETFs remains evolutionary and liquidity in many ETFs is often elusive, despite the sophistication of screen-based electronic markets.



Who We Are...

The WallachBeth ETF Desk is led by ETF market veterans; our

legacy extends to the inception of ETF products in 1993.



Securing best price at a given moment for an ETF requires a completely different price discovery process

when compared to the industry-typical approach for securing "best execution."



We were there, in the major stock exchange "open-out-cry trading pits" when ETFs were first introduced.

Sourcing liquidity at the right price for ETFs

requires an advocate with a wide net, unhindered visibility and unencumbered market access...



We're now recognized throughout the Industry for our fluency in the wide assortment of exchange-traded funds, for our intimate knowledge of the nuances by which these products are traded *and* who trades them in the secondary market.

...One whose pool of liquidity extends *beyond* traditional screen-based markets and the boundaries that conventional brokers are constricted to.

What We Do For You...

We leverage our product knowledge, trading market savvy, trading system technologies, and our long-standing relationships with a diverse array of traders to source liquidity at the right price; regardless of order size, and irrespective of what the



"screen market" for a particular ETF might display at a given point in time.

We're ETF trading market experts that use both traditional and tech-savvy means to quickly, discretely, and efficiently canvass a broad and diverse universe of reliable liquidity providers to secure the right price for you.

What We Know...



ETFs are a unique breed of financial instrument; order execution requires a special breed of trader that can navigate the ETF markets and compel

liquidity providers to compete and offer our customers the most aggressive bids and offers.



How Our Customers Win...

For every ETF inquiry, WallachBeth's entire ETF team reaches out to our extensive network of equity traders, index and option traders, currency traders, commodity traders, and fixed income traders to create a pricing competition so that our customer always wins.



Transaction Cost Analysis

Measuring Best Execution

We know that the role of the buy side manager has never been more complex, more challenging or more competitive.



In addition to your allocating assets and selecting investment vehicles that generate Alpha consistently, in order to remain competitive, we know that you must secure *and* document best execution practices and transaction costs.

While 'best ex' is a term that often has different meanings to different managers, and that measurement protocols may vary, Best Ex is universally expected to fall within the parameters of "...securing best price with minimal impact, given prevailing market conditions and optimal liquidity, in the most cost effective and cost efficient manner..."

Not only do you have a fiduciary obligation to ensure and document best execution, most managers and Registered Investment Advisors must also conform to ever-increasing regulatory obligations that address the topic of measuring best execution.

For most brokers, it's cumbersome to navigate fragmented markets, source liquidity at the right price, *and* document best execution. At WallachBeth, however, each of these tasks is part and parcel to meeting the needs of our customers.

We deliver transparent, unbiased, comprehensive order execution and transaction cost analytics.

We both share fiduciary and regulatory obligations and we both share the need to demonstrate, in an unbiased manner, that we outperform our peer group.



This is exactly why WallachBeth has partnered with **Transaction Auditing Group ("TAG")**, a leading provider of independent trade performance and transaction cost analysis (TCA) tools.

Together, we provide our clients with a highly secure, easy-to-navigate dashboard application that provides a full-suite of real-time analytics and SEC required reports (e.g. Rules 605, 606, 611).

The features of this system include easy-to-understand execution analysis segmented into order, symbol, trader, index and aggregate levels.



In addition to reporting modules, standard and proprietary statistical measurements include, among other features:

- Market Impact
- VWAP
- Timeliness
- Fill Rates
- Slippage and Liquidity Enhancement

Commission Management & CSAs

As the industry evolves, our institutional clients require the ability to seamlessly manage compensation schemes that intersect execution and independent research; distinct services often delivered by unrelated providers.

Necessarily, clients depend on us for accurate and timely management of Commission Sharing Agreements, inclusive of record keeping, payment and reporting.

Our mission, therefore, is to continuously provide our clients with the highest level of customized services that can minimize their administrative workload.



With our high-touch, personalized approach, we accommodate *all of the* unique commission management features that buy-side clients demand; from invoice approval and expedited vendor payments to custom reporting.

For additional information on, or to receive access to WallachBeth's TCA and/or CSA modules, please call our trading desk.



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Broker Acronym: WBET

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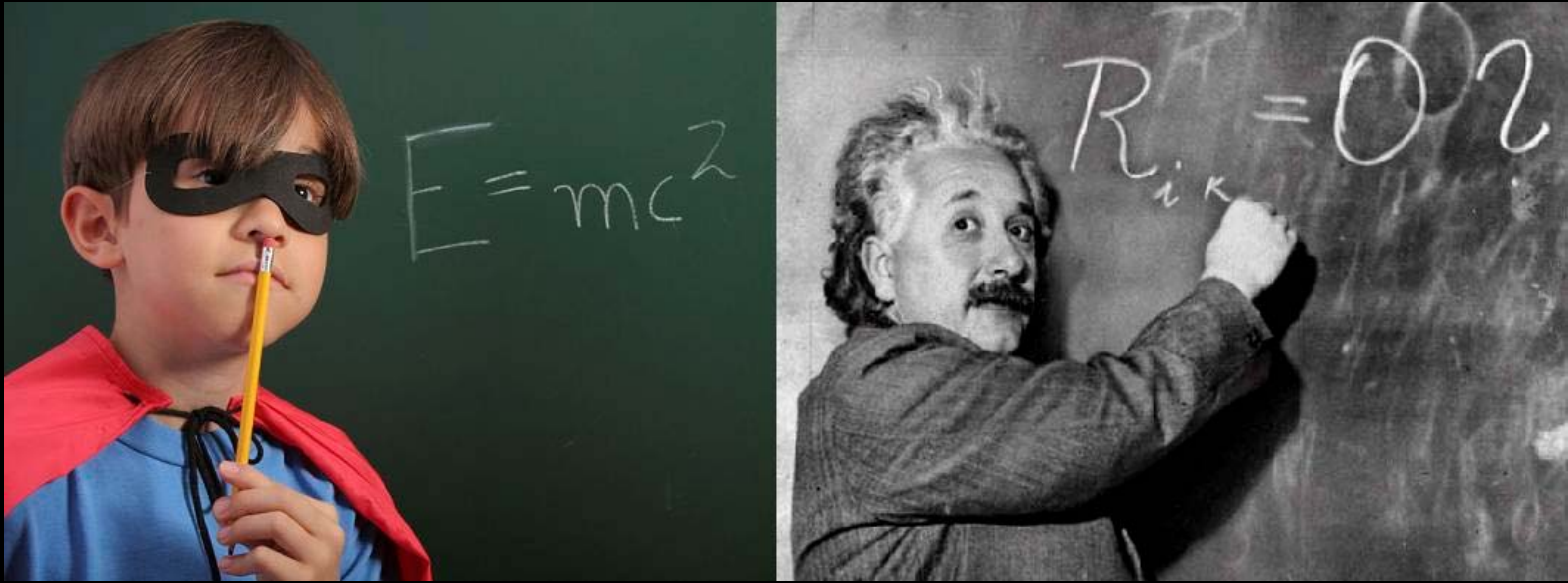
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All Trades Cleared on a fully-disclosed basis through
Penson Financial Services, Inc.
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It's a real compliment when the youngsters down the block dress up and pretend they're like us.

When it comes to having the formula for
Best Execution

Experience Makes All the Difference in the World.

It's as clear as black and white.

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