

Item 1 – Cover Page

K2 Advisors, L.L.C.

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This brochure provides information about the qualifications and business practices of K2 Advisors, L.L.C. (“K2 Advisors”). If you have any questions about the contents of this brochure, please contact us at 203-348-5252. 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.

K2 Advisors, L.L.C. is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser does not imply any level of skill or training.

Additional information about K2 Advisors is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

On July 28, 2010, the SEC published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC rules. This brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this brochure is materially different in structure and requires certain new information that our previous brochure was not required to contain.

In the future, this Item will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business’s fiscal year, which is currently December 31. We may further provide other ongoing disclosure information about material changes as necessary.

You may request a copy of our most recently updated brochure at any time, without charge, by contacting K2 Advisors Investor Relations Group at 203-504-1407 or [Investoractivity@k2advisors.com](mailto:Investoractivity@k2advisors.com).

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#### **Item 4 – Advisory Business**

K2 Advisors, L.L.C. (the “Adviser” or “K2 Advisors”), a Delaware limited liability company, was formed in 1997 by principal owners William A. Douglass III and David C. Saunders. The Adviser’s advisory business was launched in 1994 by a predecessor entity to K2 Advisors. The Adviser became registered as an investment adviser under the Advisers Act in March 2003. The Adviser is wholly-owned indirectly by K2 Advisors Holdings, LLC (“K2 Holdings”). K2 Holdings is principally owned by William A. Douglass III, David C. Saunders and by TA X LP, a private equity fund managed by TA Associates. Messrs. Douglass and Saunders are the Adviser’s Founding Managing Directors. Additionally, certain senior employees of K2/D&S Management Co., L.L.C. are equity owners.

The Adviser provides investment management advice and supervisory services to private limited partnerships, limited liability companies, offshore corporations and other private business entities or accounts (the “Funds”) organized to invest, typically, in a diversified group of privately-offered investment entities (“Investment Funds”), commonly referred to as “hedge funds,” that are managed by unaffiliated investment managers (the “Underlying Managers”). The Funds may also invest in managed accounts managed by Underlying Managers or alternate trading platforms (including Underlying Managers accessed through derivatives with returns linked to Underlying Managers’ strategies) (also referred to herein as “Investment Funds”). The Funds may invest directly or may invest through a master-feeder structure; in addition, certain Funds may invest in other Funds or other private funds managed by affiliates of the Adviser. K2 Advisors has delegated a substantial part of its management activities to K2/D&S Management Co., L.L.C. (“K2/D&S”), which is owned by the same persons and entities that own the Adviser

K2 Advisors advises Funds that are commingled vehicles with multiple investors or single investor vehicles or accounts in which the single investor helped to define operating guidelines, investment objectives, investment guidelines and/or any investment limitations that the Adviser has agreed to as a condition of managing that Fund (each, a “Single Investor Fund”). The Adviser may also provide discretionary or non-discretionary advisory services to funds or accounts managed by third-parties or affiliates (“Sub-Advised Funds” and, collectively with the Funds, “Client Funds”); in such a case, the Adviser’s client may either be the fund itself or the manager of such fund or account, depending upon the structure of the sub-advisory relationship. K2 Advisors and K2/D&S jointly entered into an Investment Advisory Agreement with Dexion Capital (Guernsey) Limited and Dexion Equity Alternative Limited to provide investment advisory advice with respect to hedge fund investments by Dexion Capital (Guernsey) Limited and Dexion Equity Alternative Limited. Dexion Equity Alternative Limited is a Guernsey company and is listed on the London Stock Exchange.

Generally, the Adviser does not tailor the advisory services it provides to the Client Funds to the individual needs of investors in the Client Funds. In the case of certain Single Investor Funds, however, the needs and input of the sole investor are used to tailor the investment programs and associated guidelines governing that Single Investor Fund’s investment activities and operations.

As of March 1, 2011, the Adviser managed approximately \$2.24 billion on a discretionary basis. As of March 1, 2011, the Adviser and K2/D&S collectively managed approximately \$10.23 billion on a discretionary and non-discretionary basis. K2/D&S is also an Investment Adviser registered with the U.S. Securities and Exchange Commission.

#### Item 5 – Fees and Compensation

K2/D&S generally receives a management fee (the “Management Fee”) from the Funds, which can range from 0% to 1.75% per annum of a Fund’s assets under management. In other instances K2 Advisors receives the Management fee. Management fees for the Client Funds are typically calculated and paid quarterly in advance. The Management Fee may vary among Client Funds and among tranches of interests or classes of shares within a Client Fund. Management Fees charged in advance are pro-rated for a period that is less than a full calendar quarter, such as when an investor submits a redemption or withdrawal from a Fund other than as of the end of a quarter. Management Fees are typically paid by a Fund following calculation of the net asset value. The administrator calculates the fee amount with respect to a Fund and transmits the net asset value and fee calculation to K2/D&S. K2/D&S confirms the calculations and then submits a payment request to the bank for the applicable Fund, who arranges for payment of K2/D&S.

The Adviser or K2/D&S may waive, reduce, or rebate the Management Fee with respect to any investor(s). Investments in the Fund by K2/D&S, its affiliates or their officers or employees generally are not subject to a Management Fee. The Adviser or K2/D&S may also pay all or part of its Management Fee to third parties for assisting in the placement of interests or shares in a Fund. Where the Adviser recommends, and where a Client Fund makes an investment of part or all of the Client Fund’s assets in another Fund or in a fund managed by an affiliate of the Adviser, the Adviser or the affiliate, as applicable, waives its fees in the underlying Fund or affiliate fund with respect to such investment so that Fund investors are not charged a “double” fee.

The asset-based fees the Adviser or K2/D&S may receive from Single Investor Funds or Sub-Advised Funds, and the method and frequency of the payment of such fees, vary depending upon the terms of the relationship between the Adviser or K2/D&S and the applicable Single Investor Fund or Sub-Advised Fund.

In addition to a Management Fee, the Adviser receives a profit allocation from certain Client Funds (a “Performance Fee”). The Performance Fee typically equals 10% of the net profit allocated to each series of shares of each applicable Client Fund during a calendar year, subject to a loss-carryforward or “high water mark.” However, the Performance Fee applicable to the Client Funds or specific tranches of share classes varies, and ranges from 0% to 15% of net profits. The percentage of the fee may vary among Funds and among classes of shares within a Fund, and certain classes may not pay a Performance Fee. If an investor in a Fund that is subject to a Performance Fee redeems all or part of its shares in the Fund other than as of a date a Performance Fee is calculated, a Performance Fee is paid with respect to the redeemed amount at the time of the redemption. Performance Fees are paid

by a Fund following calculation of the net asset value for the relevant period. The relevant administrator calculates the amount of the Performance Fee with respect to a Fund (or classes of shares thereof) and transmits the calculation to K2/D&S. K2/D&S confirms the calculations and then submits a payment request to the bank for the applicable Fund, who arranges for payment of the Adviser.

The Adviser may waive, reduce, or rebate the Performance Fee with respect to any investor(s). In certain Funds, the performance fee may be subject to a hurdle rate that must be surpassed for a given period before the Adviser is entitled to any performance-based compensation; the amount of the hurdle rate, if any, may vary among the Funds or among classes of shares within a Fund. A hurdle rate may refer to a designated percentage or may refer to an index. Where the Adviser recommends, and where a Client Fund makes, an investment of part or all of the Client Fund's assets in another Fund or in a fund managed by an affiliate of the Adviser, the Adviser or the affiliate, as applicable, waives its performance fee in the underlying Fund or affiliate fund with respect to such investment so that Client Fund investors are not charged a "double" fee.

Certain of the Client Funds pay a performance fee to K2/D&S instead of an incentive allocation to the Adviser.

The amount of and terms governing the performance-based compensation, if any, the Adviser may receive from a Single Investor Fund or Sub-Advised Fund varies depending upon the terms of the relationship between the Adviser and the applicable Single Investor Fund or Sub-Advised Fund.

The Client Funds invest in Investment Funds and, in connection with such investments, will indirectly bear management fees and performance fees and incentive allocations to the Underlying Managers of such Investment Funds.

On an ongoing basis, as set forth in each Client Fund's offering documents, a Client Fund typically pays all of its investment-related expenses, all expenses incurred in the ongoing offering of interests or shares, all expenses incurred in connection with its operations, including expenses of professionals retained by the Adviser to perform services on behalf of the Client Fund, legal, accounting, auditing, administration, and tax preparation fees and expenses, interest on borrowings; expenses related to credit facilities, taxes, custodial fees, bank service fees, outside director fees, insurance related expenses of the Client Fund and the Adviser, reasonable expenses related to the purchase, sale, or transmittal of Client Fund assets as determined by the Adviser in its sole discretion, expenses related to Adviser's research and monitoring of the Investment Funds, including the cost of underlying Investment Fund due diligence-related travel, the costs of background checks on Underlying Managers, the cost of any operational due diligence conducted on Underlying Managers, the cost of any legal due diligence by the Adviser (whether or not the Adviser makes an investment based on such due diligence) and the cost of third parties that provide risk and other hedge fund analytics utilized to monitor the Fund's portfolio of Investment Funds (except that to the extent that other Funds benefit from such due diligence and third party analytics, the Fund will only bear its *pro rata* share, by net asset value, of such

expenses); extraordinary expenses such as litigation costs and indemnification obligations, and all other expenses that the Adviser has not expressly agreed to pay.

Where applicable, a Fund is responsible for its *pro rata* share of all other fees and expenses incurred by a master fund in which it invests (including administration fees, expenses incurred in connection with the master fund's operations and trading activities, including brokerage and clearing expenses, margin interest expenses, custodial expenses, routine legal, accounting, auditing, and tax preparation fees and expenses and extraordinary expenses). Although a Client Fund that invests in another Fund or a fund managed by an affiliate of the Adviser will not pay management fees or performance fees or make an incentive allocation with respect to such investment at the underlying fund level, the Fund will be responsible for its *pro rata* share of the expenses of such underlying fund as an investor therein. In addition, each Fund also indirectly bears its *pro rata* share of the operating expenses of the Investment Funds in which it invests.

The nature and type of expenses borne by investors in a Single Investor Fund or Sub-Advised Fund will vary depending upon the terms of the Single Investor Fund or Sub-Advised Fund's governing documents and the terms of the Adviser's relationship with the Single Investor Fund or Sub-Advised Fund.

A discussion of the Adviser's brokerage policies and procedures is set forth in Item 12, to the extent applicable. These policies are limited, however, because the Client Funds generally invest in hedge funds through private transactions and do not use broker/dealers to effect securities transactions.

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

As noted above, the Adviser may receive performance-based compensation from certain Client Funds and certain classes of shares within the Funds. In measuring the Client Funds' assets for the purpose of calculating performance-based fees, the Adviser includes unrealized capital gains and losses and, as a result, the performance-based compensation may include gains that investors never ultimately realize. Performance-based compensation arrangements may also create an incentive for the Adviser to cause the Client Funds paying Performance Fees to make investments that are riskier or more speculative than would be the case if the Adviser were not compensated in this manner. In addition, with respect to certain Client Funds, K2/D&S, an affiliate of the Adviser, receives a performance fee. Such performance fees paid to an affiliate creates similar conflicts of interest for the Adviser.

In addition, performance-based fee arrangements create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. The Adviser has designed and implemented procedures that seek to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among the Adviser's Client Funds. If the Adviser determines that more than one Client Fund should purchase or sell interests or shares in the same Investment Fund at the same time, the Adviser will use its best efforts to allocate

these purchases and sales equitably after consideration of the certain factors, including the following: cash available for investment in each account, asset mix, objectives and restrictions, investment style and other investment considerations, position size (allocations may be adjusted considering the size of the position available), and such other reasonable factors that the Adviser in its discretion may consider appropriate.

In the case where there is limited capacity to invest in an Investment Fund, or a limit on the amount of a position that may be sold or on the amount that may be redeemed from a particular Investment Fund at any point or over time, it is the Adviser's policy to use its best efforts to allocate, on a *pro rata* basis, capacity, sales or redemptions to all appropriate Client Fund accounts based on, in the case of contributions, the amount of cash available for investment by appropriate Client Funds, and in the case of redemptions or sales on the amount of securities or other interests owned by all appropriate Client Funds. Capacity may also be limited if the Adviser determines to place a ceiling on the amount of total capital it wishes to invest in a particular Investment Fund, or if the Underlying Manager of the Investment Fund restricts the amount that Client Funds may invest in the Investment Fund at any point in time or over time. Appropriateness is determined by reference to the considerations listed above.

The same considerations and analyses will apply in allocating investment opportunities between the Adviser's Client Funds and the clients of the Adviser's affiliates, in the event that the Client Funds and clients of the Adviser's affiliates purchase or sell interests or shares in the same Investment Funds.

### **Item 7 – Types of Clients**

The Adviser provides investment management advice and supervisory services to the Client Funds. Investors in the Client Funds are generally individuals, trusts, pensions or profit sharing plans, corporations or other business entities. The Adviser's Single Investor Funds are generally established for entities rather than individuals, but could be established for qualified individuals.

Investors in a Fund must be "accredited investors" as defined in Regulation D of the Securities Act of 1933, as amended (the "1933 Act"), and "qualified purchasers" under the Investment Company Act of 1940, as amended; however, in the case of certain offshore Funds, non-U.S. investors generally need not be "accredited investors" or "qualified purchasers" so long as each such non-U.S. investor is not a "U.S. person" as defined in Regulation S under the 1933 Act.

In many cases, the Funds require a minimum initial investment amount. These minimums generally range from \$100,000 to \$5,000,000 (but may be lesser or greater), depending upon the Fund and class or tranche at issue. Investors may generally not effect a partial redemption if, after such redemption, the net asset value of their investment would be less than the applicable minimum investment amount. The foregoing investment minimums may be waived or modified in the sole discretion of the Adviser (or, in the case of Funds that have a separate board of directors, general partner or managing member, then the board of directors, general partner or managing member of those Funds).



The required investor qualifications and minimum investment requirements, if any, imposed by Single Investor Funds or Sub-Advised Funds will vary depending upon the Single Investor Fund or Sub-Advised Funds' governing and subscription documents.

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

### ***Methods of Analysis and Underlying Manager Selection***

The Adviser has delegated a substantial part of its management activities to K2/D&S. As such, the Adviser or K2/D&S (collectively the "Firm") utilizes various quantitative and qualitative research techniques to evaluate Investment Funds and their Underlying Managers and assess whether such funds should be considered for inclusion in Client Funds' portfolios.

The Client Funds pursue their investment objectives by investing substantially all of their assets in a variety of Investment Funds that employ many different investing strategies. The Firm evaluates the Investment Funds and their managers through an investment due diligence process that includes interviews in the managers' offices, phone interviews, and analysis of documents or data provided by the managers and third parties. Each manager's investment strategy, portfolio management skills, performance, and operations are analyzed. Investment Funds and Underlying Managers are monitored through contact both in their offices and through phone calls and electronic communications.

In seeking to achieve Client Funds' performance objectives, the investment research, portfolio construction, and risk management teams at the Firm utilize a variety of tools and processes with the objective of determining an individual Underlying Manager's ability to generate appropriate risk adjusted returns. The Firm's investment process combines top/down quantitative portfolio construction with qualitative bottom-up manager inputs. Various groups within the Firm including Research, Portfolio Construction, Risk, Operational Due Diligence, and Legal/Compliance may work jointly and/or independently as the Underlying Manager moves through the due diligence process.

Despite the qualitative and quantitative analyses that the Firm performs on Underlying Managers, it is possible that the Firm may recommend an Investment Fund that ultimately fails incurring losses for the invested Client Funds. Further, it is possible that the various quantitative and qualitative tools used by the Firm in the portfolio construction process result in Client Funds that do not achieve their respective investment objectives or in fact result in a complete loss of invested capital.

Investing in securities involves a risk of loss that investors in Client Funds should be prepared to bear. There are material risks associated with the fund of funds structure and with the investment strategies employed by the managers of the Investment Funds. Some of these risks are described below.

### ***Underlying Manager Strategies***

Underlying Managers may utilize a wide variety of investment strategies and sub strategies, including, but not limited to, the following:

- Long/Short Equity
- Equity Market Neutral
- Specialist Credit/Distressed
- Relative Value
- Event-Driven
- Multi-Strategy
- Commodities
- Currency
- Short Selling
- Non-U.S. Securities
- Arbitrage Trading
- Distressed and Hedged Distressed
- Convertible Arbitrage
- Equity Volatility Arbitrage
- Fixed Income Arbitrage
- Merger and Risk Arbitrage
- Credit Arbitrage
- Variable-Bias Long-Short Equity
- Hedged Equity
- Diversified Credit
- Global Macro
- Managed Futures
- Bank Debt and High Yield Investing
- Energy Trading
- Catastrophe Insurance and Reinsurance

### ***Risks of the Multi-Manager Strategy***

All investments involve the risk of the loss of capital. No guarantee or representation is made that any Client Fund will achieve its investment objective or avoid losses. The multi-manager strategy pursued by the Firm involves certain risks. The following is a summary of those risks, but is not exhaustive.

*Multiple Portfolio Managers.* The Firm will employ a multi-manager strategy and each Investment Fund will trade independently of the others. There can be no assurance that the use of a multi-manager approach will not effectively result in losses by certain of the Investment Funds offsetting any profits achieved by others. Such offsetting could result in a significant reduction in a Client Fund's assets, as incentive fees may be allocable to those Underlying Managers that recognized profits irrespective of the offsetting losses. Various Investment Funds will from time to time compete with the others for the same positions. Conversely, opposite positions held by the Investment Funds will be economically offsetting.

*Managed Account Allocations.* The Firm may place Client Fund assets with Underlying Managers through opening managed accounts rather than investing in underlying hedge funds. Managed accounts

expose a Client Fund to theoretically unlimited liability, so that if an Underlying Manager uses leverage, the Client Fund could lose more in a managed account directed by a particular Underlying Manager than the Client Fund had allocated to such Underlying Manager. The Firm may attempt to insulate Client Funds from such risk by allocating assets through a single member limited liability company or other special purpose vehicle, but it will not always be possible to do so and the Firm may elect not to do so.

*Reliance on Underlying Managers.* Although the Firm will monitor the performance of each investment, the Firm will rely upon the Underlying Manager of an Investment Fund for day-to-day trading and operations of those investments, and the Underlying Manager may be unable to determine whether an Investment Fund or Underlying Manager is following the investment program described in the Investment Fund's offering documents or the managed account agreements.

*Reliability of Valuations.* A Client Fund's interest in an Investment Fund is generally valued at an amount equal to the Client Fund's interest in such Investment Fund, as determined pursuant to the instruments governing such Investment Fund, and reported by the relevant Underlying Manager or its administrator. As a general matter, the governing instruments of the Investment Funds provide that any securities or investments that are illiquid, not traded on an exchange or in an established market, or for which no value can be readily determined are assigned such fair value as the respective Underlying Managers may determine in their judgment based on various factors, which include, but are not limited to, dealer quotes or independent appraisals, and may include estimates. The Firm relies on these estimates in calculating Client Funds' net asset value for reporting, redemptions, fees, and other purposes, and generally does not make any adjustments with respect to redemption payments. Such valuations may not be indicative of what actual fair market value would be in an active, liquid, or established market.

*Availability of Information.* Some of the Investment Funds may provide to the Firm very limited information with respect to their operation and performance, thereby severely limiting the Firm's ability to verify initially or on a continuing basis any representations made by the Investment Funds or the investment strategies being employed. This may result in significant losses to a Client Fund based on investment strategies and positions employed by the Investment Funds or other actions of which the Adviser has limited or no knowledge.

*Substantial Charges to Client Funds.* The Client Funds will be subject to substantial charges both directly and indirectly at the Investment Fund level (including management and incentive fees payable to Underlying Managers). These multiple layers of fees could be substantially increased by the Underlying Managers' incentive fees, which, if earned, are payable irrespective of the overall profitability of a Client Fund (as opposed to the profitability of the individual Investment Fund).

*Lack of Transferability of Interests or Shares.* The interests or shares in Client Funds are not registered under U.S. federal or state securities laws and generally are subject to restrictions on transfer contained in such laws. Generally, the interests or shares are not transferable except with the prior

written consent of the Adviser or, in the case of certain non-U.S. funds, the Client Fund's board of directors. There may not be any market for the interests or shares.

**Credit Facilities.** Certain Client Funds may utilize credit facilities for short-term money management purposes in connection with the receipt of subscription proceeds, redemption requests, or portfolio reallocations. Such credit facilities may be provided at prevailing market rates by a Client Fund's custodian or its affiliates, or from unaffiliated third parties. Should such credit facilities be utilized, a Client Fund may be subject to greater risk of loss than if it did not utilize such credit facilities, and would incur additional interest and other expenses with respect to such facilities. A credit facility provider would be entitled to all or part of the collateral posted by the applicable Client Fund should the Client Fund default on its obligations under the agreement with such credit facility provider.

**Limited Management Rights.** Subject to certain limited exceptions set forth in the governing documents of a Client Fund or a Client Fund's investment management agreement with the Adviser, the Adviser will have full, exclusive, and complete power and discretion, without the need for consent or approval of any investor, to make all decisions and do all things which it deems necessary or desirable in respect of the Client Funds.

### ***Risks of Investment Fund Investments***

The Investment Funds may pursue a wide range of investment strategies using a variety of investment instruments. The following is intended only as a summary of certain key risks that potential investors could face from an Investment Fund's investment activities and the terms governing the Investment Fund's operations.

**Highly Volatile Markets.** The prices of securities and derivative instruments, including futures and options prices, may be highly volatile. Price movements of securities, forward contracts, futures contracts, and other derivative contracts in which Underlying Managers may invest are influenced by, among other things: interest rates; changing supply and demand relationships; trade, fiscal, monetary, and exchange control programs and policies of governments; and U.S. and international political and economic events and policies. In addition, governments from time to time intervene, directly and/or by regulation, in certain markets, particularly those in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Investment Funds also are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses.

**Illiquid Portfolio.** The Investment Funds in which the Client Funds will invest are not registered as investment companies and interests therein are subject to legal or other restrictions on transfer. It may be impossible for the Adviser to redeem Client Funds' interests in such Investment Funds when desired or to realize their fair value in the event of such redemptions. Certain Investment Funds may permit redemptions only on a semi-annual, annual, or less frequent basis or be subject to "lock-ups"

(where investors are prohibited from redeeming their capital for a specified period following investment in such fund) and/or “gates” (where redemption at any given redemption date is restricted to a specified percentage of such underlying fund’s assets). In addition, Investment Funds are typically able suspend redemptions by their investors in a variety of circumstances, and a number of hedge funds recently have exercised their authority to declare such suspensions of redemptions. Further, some Investment Funds may limit redemptions with respect to “side pocket” investments (where an Investment Fund classifies a particular investment as “illiquid” or “designated” and investors generally can not receive their allocable share until such investment is liquidated or otherwise realized). Each such investment will be accounted for by such Investment Fund separately from all other investments of such Investment Fund, and will generally be carried at cost until liquidated or marked-to-market. Illiquidity in Investment Funds may affect the ability of a Client Fund to make redemptions of investors’ interests or shares.

**Turnover.** Underlying Managers may invest on the basis of certain short-term market considerations. The turnover rate within the Investment Funds may be significant, potentially involving substantial brokerage commissions, fees, and other transaction costs. The Adviser has no control over this turnover.

**Short Sales of Securities.** Certain of the Investment Funds will sell securities short. Selling securities short involves selling securities that an Investment Fund does not own. In order to make delivery to the purchaser of such securities, the Investment Fund may borrow securities from a third party lender. The Investment Fund subsequently must return the borrowed securities to the lender by delivering to the lender securities the Investment Fund purchases in the open market. The Investment Fund must generally pledge cash or other securities with the lender equal to or greater than the market price of the borrowed securities. This deposit will be increased or decreased in accordance with changes in the market price of the borrowed securities. Accordingly, an Investment Fund could, in theory, be exposed to an unlimited loss in the event of an unlimited increase in the market price of a borrowed security. Purchasing securities to close out the short position can itself cause the price of the securities to rise, thereby limiting profits or exacerbating losses. The risk also exists that the securities necessary to cover a short position will not be available for purchase. Additionally, arbitrage strategies involving short sales are exposed to the risk of the loss of the hedge if the stock sold short is called by the lending broker, or the position cannot otherwise be maintained, forcing premature liquidation.

**Leverage.** Investment Funds borrow money or otherwise utilize leverage. While the use of leverage can substantially improve the return on invested capital, its use is likely to increase the adverse impact to the Investment Fund in the event of an unsuccessful investment.

**Sector Risks.** Certain Investment Funds focus their investment activities in certain industry sector or market segments. The investment portfolio of such an Investment Fund may be subject to more rapid changes in value than would be the case if the portfolio maintained a wide diversification among industries, companies, and types of securities.

*Concentration by Investment Funds.* Some of the Investment Funds may concentrate their investments in only a few securities, industries, or countries. Although a Client Fund's overall investments may be diversified, concentration by individual Investment Funds may cause a proportionately greater loss than if their investments had been spread over a larger number of investments.

*Relative Value Strategies.* The use of certain "relative value" or "market-neutral" hedging or arbitrage strategies does not imply that an Investment Fund's strategies are without risk. An Investment Fund may incur substantial losses on "hedge" or "arbitrage" positions, and illiquidity and default on one side of a position can effectively result in losses on both sides of the position, and/or the position being transformed into a directional position. Many relative value Investment Funds employ strategies that are somewhat directional, which expose them to market risk.

*Equity Securities.* The value of the securities held by the Investment Funds is subject to market risk, including changes in economic conditions, growth rates, profits, interest rates, and the market's perception of these securities.

*Debt and Other Income Securities.* Fixed income securities are subject to interest rate, market, credit, and currency risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. In general, the values of fixed income securities increase when prevailing interest rates fall and decrease when interest rates rise. Because of the resetting of interest rates, adjustable rate securities are less likely than non-adjustable rate securities of comparable quality and maturity to increase or decrease significantly in value when market interest rates fall or rise, respectively. Market risk relates to the changes in the risk or perceived risk of an issuer, country, or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of fixed income securities may be affected by changes in the credit rating or financial condition of the issuing entities. Fixed income securities denominated in non-U.S. currencies are also subject to the risk of a decline in the value of the denominating currency relative to the U.S. dollar.

*Credit Markets.* Certain of the Investment Funds will be concentrated in the credit markets, attempting to take advantage of undervalued securities as well as relative mispricings. The identification of attractive investment opportunities in disrupted credit markets is difficult and involves a significant degree of uncertainty. The credit markets are, in general, highly susceptible to interest-rate movements, government interference, economic news, and investor sentiment. There has been significant recent volatility in the credit markets and such volatility is expected to continue.

*Convertible Securities.* Convertible securities ("Convertibles") are generally debt securities or preferred stocks that may be converted into common stock. Convertibles typically pay current income as either interest (debt security convertibles) or dividends (preferred stocks). A Convertible's value

usually reflects both the stream of current income payments and the value of the underlying common stock. The market value of a Convertible performs like that of a regular debt security; that is, if market interest rates rise, the value of a Convertible usually falls. Since it is convertible into common stock, the Convertible generally has the same types of market and issuer risk as the underlying common stock. Convertibles that are debt securities are also subject to the normal risks associated with debt securities, such as interest rate risks, credit spread expansion, and ultimately default risk. Convertibles are also subject to liquidity risk based upon market conditions.

An issuer may be more likely to fail to make regular payments on a Convertible than on its other debt because other debt securities may have a prior claim on the issuer's assets, particularly if the Convertible is preferred stock. However, Convertibles usually have a claim prior to the issuer's common stock. In addition, for some Convertibles, the issuer can choose when to convert to common stock, or can "call" (*i.e.*, redeem) the Convertible, which may be at times that are disadvantageous for an Investment Fund. Finally, because convertible arbitrage also involves the short sale of underlying common stock, the strategy is also subject to stock-borrowing risk, which is the risk that an Investment Fund will be unable to sustain the short position in the underlying common shares.

*Derivatives.* The Investment Funds may use a variety of derivative instruments in implementing their investment strategies. The pricing of these derivatives is uncertain, variable, and based primarily on theoretical models, the outputs of which may vary substantially from the prices actually recognized in the market. The market for many types of derivative instruments is comparatively illiquid and inefficient, creating the potential for substantial mispricings, as well as sustained deviations between theoretical and market value. In addition, the derivatives market is, in comparison to other markets, a relatively new market, and the events of 2008 and 2009 (including the collapse of American International Group, Inc.) demonstrated that even the most sophisticated market participants may misunderstand how the market in derivatives will perform during periods of unusual price volatility or instability, market illiquidity, or credit distress. The primary risks associated with the use of derivatives are (i) model risk, (ii) market risk, and (iii) counterparty risk. An Investment Fund's investments in over-the-counter derivatives are subject to greater risk of counterparty default and less liquidity than exchange-traded derivatives, although exchange-traded derivatives are subject to risk of failure of the exchange on which they are traded and the clearinghouse through which they are guaranteed. Counterparty risk includes not only the risk of default and failure to pay mark-to-market amounts and return risk premium, but also the risk that the market value of over-the-counter derivatives will fall if the creditworthiness of the counterparties to those derivatives weakens.

The prices of derivative instruments can be highly volatile. Price movements of derivative instruments are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention often is

intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

*OTC Transactions.* An Investment Fund may trade in derivative instruments that are not traded on organized exchanges and, as such, are not standardized. These transactions are known as over-the-counter (“OTC”) transactions. In general, there is less governmental regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, are not available in connection with OTC transactions.

*Futures.* Futures markets are highly volatile. Underlying Managers investing in the futures markets must be able to analyze correctly such markets, which are influenced by, among other things: changing supply and demand relationships; weather; governmental, agricultural, commercial, and trade programs and policies designed to influence commodity prices; world political and economic events; and changes in interest rates. Moreover, investments in commodities, futures, and options contracts involve additional risks including, without limitation, leverage (e.g., margin is usually only 5% to 15% of the face value of the contract and exposure can be nearly unlimited) and credit risk vis-à-vis the contract counterparty. An Investment Fund’s futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent an Investment Fund from promptly liquidating unfavorable positions and subject it to substantial losses.

*Forward Trading.* Underlying Managers may engage in forward trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have been unable to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Investment Funds due to unusually high trading volume, political intervention, or other factors.

*Non-U.S. Investments - Economic, Political, and Legal Risks.* Investment Funds may invest some or all of their assets outside the United States. Non-U.S. investments pose a range of potential economic, political, and legal risks that may not exist in the United States. The economies of individual



countries may differ with respect to growth of gross domestic product or gross national product, rate of inflation, capital reinvestment, resource self-sufficiency, and balance of payments position. Each country has different standards of regulation with respect to matters such as government approval requirements, as well as insider trading rules, restrictions on market manipulation, shareholder proxy requirements, and timely disclosure of information. Reporting, accounting, and auditing standards of different countries vary, and little information may be available to investors in securities or other assets of such issuers. Other potential risks that could have an adverse effect on investments include (depending on the country involved) nationalization, expropriation, confiscatory taxation, negative diplomatic developments, and other governmental actions that make it difficult or impossible to liquidate assets and distribute proceeds. The laws of various countries governing business organizations, bankruptcy, and insolvency may make legal action difficult and provide little, if any, legal protection for investors. The securities markets in many non-U.S. countries may be significantly less developed than the securities markets in the United States.

*Low Credit Quality Securities.* Investment Funds may make particularly risky investments that also may offer the potential for correspondingly high returns. As a result, an Investment Fund may lose all or substantially all of its investment in any particular instance. In addition, there is not necessarily a minimum credit standard that is a prerequisite to an Investment Fund's investment in any security. The debt securities in which an Investment Fund is permitted to invest may be rated lower than investment grade and hence may be considered to be "junk bonds" or distressed securities.

*Distressed Credits.* Investment Funds may invest in securities of U.S. and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and business risks that can result in substantial or at times even total losses. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by U.S. state and federal laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability, and the U.S. Bankruptcy Court's power to disallow, reduce, subordinate, or disenfranchise particular claims. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value, if such value is ever realized.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts and any legal or disciplinary events that would be material to your evaluation of K2 Advisors or the integrity of its management. There are not currently (nor have there been in the past) any legal or disciplinary events

relating to us or our personnel that are material to your evaluation of our advisory business or the integrity of our management.

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

Neither K2 Advisors nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

K2 Advisors is registered with the SEC as an investment adviser and with the U.S. Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator (“CPO”) and as a commodity trading advisor (“CTA”).

K2 Advisors has a number of affiliated entities domiciled in the U.S. and other jurisdictions. Where required, the non-U.S. domiciled affiliates are registered with local regulators. Affiliated entities are as follows:

- a. K2/D&S Management Co., L.L.C., a Delaware limited liability company, is indirectly wholly owned by K2 Advisors Holdings, LLC, which also indirectly wholly owns K2 Advisors. K2/D&S is also registered with the SEC as an investment adviser and with the CFTC as a CPO and CTA. The Adviser has delegated a substantial part of its management activities to K2/D&S. As noted in Item 6 above, K2/D&S will receive a Performance Fee from certain of the Client Funds. Client Funds paying K2/D&S a Performance Fee will not pay the Adviser a Performance Fee. K2/D&S and K2 Advisors share common offices; K2/D&S employs all of the firm’s employees.
- b. K2 Advisors Holdings, LLC and K2 Advisors Subsidiary Holdings, LLC are entities that were formed to facilitate a reorganization of the equity ownership of K2 Advisors and K2/D&S to include affiliates of TA Associates and certain employees of K2 Advisors and/or K2/D&S. These entities are passive holding vehicles and do not provide services to any Client Fund or manage or advise clients of their own.
- c. K2 Advisors Ltd., a United Kingdom limited company, is a wholly-owned subsidiary of K2/D&S. K2 Advisors Ltd is authorized and regulated by the United Kingdom’s Financial Services Authority to advise on and arrange deals in investments.
- d. K2 Advisors Hong Kong Limited is an entity formed under the laws of Hong Kong, is a wholly-owned subsidiary of K2/D&S. K2 Advisors Hong Kong Limited is not required to be and is not registered with the Securities Futures Commission in Hong Kong.

- e. K2 Advisors Japan Ltd., an entity formed under the laws of Japan, is a wholly-owned subsidiary of K2/D&S. K2 Advisors Japan Ltd. is registered with the Kanto Local Finance Bureau as a financial instruments firm engaging in investment advisory and investment management business. Certain of the Sub-Advised Funds are clients of K2 Advisors Japan Ltd., and such Sub-Advised Funds may pay fees to K2 Advisors Japan Ltd.

Other Relationships:

- f. K2/D&S is the sole member of K2 KB Manager LLC, a Delaware limited liability company, which serves as the manager of K2 Hedge Fund Investments KB, a Swedish limited partnership. K2 Advisors is the sole member of K2 KB General Partner LLC, a Delaware limited liability company, which serves as the general partner of K2 Hedge Fund Investments KB.
- g. K2/D&S is also the member manager of K2/Highland Management Co., L.L.C., (“K2/Highland”), a Delaware limited liability company. Highland Strategies, L.L.C. is the other member of K2/Highland. K2/Highland serves as the management company of K2/Highland Overseas Ltd., a British Virgin Islands corporation. K2/Highland is not registered as an investment adviser with the SEC as all investment decisions with respect to K2/Highland Overseas Ltd. (the sole client of K2/Highland) are made by K2/D&S as managing member of K2/Highland. K2/D&S treats this Fund, K2/Highland Overseas Ltd., as its client – as if K2/D&S were directly its investment adviser.
- h. Private Financial Services LLC (“PFS”), a Delaware limited liability company, is a wholly-owned subsidiary of K2/D&S. PFS previously provided certain administration, back-office and bookkeeping services to certain of the Funds. This entity is now in the process of winding down. PFS currently provides administration services to two Funds for a fee based on PFS’s standard schedule of fees. Each of these Funds is in the process of winding down. PFS will not be providing services to any other new or current Client Funds.

K2 Advisors does not receive any compensation directly or indirectly from Underlying Managers or Investment Funds that it recommends to or purchases for the Client Funds.

### **Item 11 – Code of Ethics**

The Firm has adopted a Code of Ethics (“Code”) that sets forth the standards of conduct expected of the Firm’s personnel. All employees, managers and officers of the Firm must comply with the Code. The Code states that the Firm’s personnel owe a duty of loyalty to the Firm and its clients that requires the Firm’s personnel to act in the best interests of the Firm’s Client Funds. In addition, the

Firm's personnel must avoid actions or activities that allow (or appear to allow) them or their family members to profit or benefit from their relationships with the Firm and its Client Funds.

The Code requires Firm personnel to report certain gifts and business entertainment and in certain cases, requires the Firm's Chief Compliance Officer to pre-approve certain gifts. The Code also requires Firm personnel to obtain prior written approval from the Chief Compliance Officer prior to engaging in any outside business activity, and any approval, if granted, may be subject to restrictions or qualifications and is revocable at any time.

The Code also requires the Firm's personnel to report their personal securities holdings and transactions. The Firm's personnel are also required to submit an initial and annual report of brokerage accounts and holdings along with an initial and annual acknowledgement and certification stating that the individual will comply with the Code. The Firm's personnel are also required to submit quarterly transaction reports that detail the individual's securities transactions for the quarter.

Certain investments require the pre-approval of the Chief Compliance Officer. These investments include limited offerings (such as private placements), investments in initial public offerings and investments in any Client Fund. The Adviser, its affiliates and its related persons (including officers and employees) may from time to time invest in Investment Funds in which the Client Funds invest. These investments by personnel would require the pre-approval of the Chief Compliance Officer as limited offerings. Most other investments require pre-trade approval, which is facilitated through a web-based application.

The Firm maintains a "restricted list" of securities in which personnel may not trade. The restricted list is updated from time to time and is intended to prevent the misuse of material, non-public information by its employees.

On a periodic basis, the Firm's legal/compliance team will conduct forensic testing or auditing of reported personal securities transactions to monitor compliance with the Firm's Code. As noted above, the Chief Compliance Officer's approval is required before a related person may invest in an Investment Fund in which a Client Fund invests. Such investments potentially raise a number of conflicts, and are therefore generally discouraged.

The Firm's legal/compliance team will monitor compliance with the provisions of the Code of Ethics and, at least annually, the Chief Compliance Officer will provide written reports to senior management describing any issue(s) that arose during the previous year under the Code or procedures related thereto, including any material Code or procedural violations, and any resulting sanction(s). If applicable, the report may discuss any changes that the Chief Compliance Officer believes should be made to the Code. The Chief Compliance Officer may report to senior management more frequently as he or she deems necessary or appropriate, and shall do so as requested by senior management.

K2 Advisors is required to keep copies of the Code and records relating to the Code. Investors can obtain a copy of the Code by contacting K2 Advisors Investor Relations Group at 203-504-1407 or [Investoractivity@k2advisors.com](mailto:Investoractivity@k2advisors.com).

K2 Advisors generally does not affect any principal transactions with Client Fund accounts, but if it were to engage in such transaction it would obtain any necessary client consents. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to occur if the Adviser and its affiliates own a substantial portion of a client and that client participates in a transaction with another client.

K2 Advisors does not engage in agency cross transactions. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

K2 Advisors may engage in cross trades for certain of the Client Funds' accounts. In such transactions, the Adviser has a fiduciary duty to each Client Fund to execute such trades at a fair price and to act in the best interests of all Client Funds involved in a cross trade. K2 Advisors may engage in such transactions in circumstances when the Adviser wishes to reduce the investment of one or more Client Funds in an Investment Fund and increase the investment of other Client Funds in such Investment Fund, in order to re-balance portfolios, provide better liquidity to the Client Funds involved, and to allocate *de minimis* Investment Fund allocations from a large Client Fund to another smaller Client Fund. Any such purchase and sale will take place at the stated net asset value of the Investment Fund being purchased or sold, or other value determined in accordance with the Adviser's valuation policies and K2 Advisors will not charge any additional fee for arranging the cross trades.

The Firm's Compliance Policies and Procedures also contain policies involving the safeguarding of proprietary and non-public information by the Firm's personnel along with restrictions on the use of insider information and the use of non-public information regarding an investor.

## **Item 12 – Brokerage Practices**

The Adviser is the investment manager of the Client Funds. In cases where it has discretionary authority, the Adviser has the authority to determine when a Client Fund invests in or withdraws from an Investment Fund and the amount of such investment or withdrawal without obtaining specific consent from investors. Because the Adviser is a fund of funds manager, however, securities execution decisions are typically made not by the Adviser but by the Underlying Managers responsible for the

Investment Funds, who themselves arrange for the placement of buy and sell orders and the execution of portfolio transactions on behalf of those Investment Funds.

The Adviser could, in certain limited circumstances when and if it engages in direct trading, determine the broker or dealer to be used by a Client Fund and the commission rates to be paid to such broker or dealer. For example, direct trading may occur if the Adviser decides to implement a conditional risk overlay and/or beta replication strategy for a Client Fund. In addition, in very limited circumstances, if an Investment Fund has distributed securities to a Client Fund instead of cash in satisfaction of all or part of a redemption or withdrawal from the Investment Fund, the Adviser would select a broker to effect the sale of such securities without obtaining consent from investors. The Adviser may, in other specific circumstances, select a broker to effect a transaction on behalf of a Single Investor Fund if instructed to do so by the investor in that Fund. In making such selection, the Adviser would consider the commission charged by such broker and such broker's ability to timely execute the requested transaction. The Adviser does not use or generate "soft dollars" with respect to Client Fund transactions. Research provided by third-party brokers or dealers is not used to service the Adviser's accounts. K2 Advisors and/or K2/D&S would select brokers based upon best execution considerations, without regard to whether a broker provides research or other services (although a broker may provide research despite this policy).

In the event the Adviser were required to exercise discretion in selecting a broker for a Client Fund, investors in a Client Fund generally do not have the right to direct brokerage with respect to such Client Fund's transactions.

### **Item 13 – Review of Accounts**

The composition of a Client Fund's portfolio is monitored regularly, on a monthly basis, by Mr. Douglass (Founding Managing Director) and Mr. Saunders (Founding Managing Director). In addition, Messrs. Douglass and Saunders discuss regularly different aspects of the investment process, including performance and possible reallocations of a portfolio, with other professionals at the Adviser. Portfolio monitoring is conducted by the K2 Advisors research group on an ongoing basis through on-site visits to Underlying Managers' offices, electronic communications and telephone conversations with the principals and support staff of the Underlying Managers and reviews of the investment objectives and strategies, risks undertaken, and overall performance of such portfolios. The K2 Advisors operational due diligence group conducts initial and periodic due diligence reviews of the Underlying Managers' operations and the K2 Advisors risk team also regularly monitors the composition and attributes of Client Fund portfolios through third party risk analytics. The K2 Advisors Finance/Administration group oversees the accounting and administration of the portfolios and maintains regular contacts with other professionals at the Underlying Managers.

Investors in the Client Funds are generally provided with monthly or quarterly reports, depending on the terms of such Client Fund, regarding their investments in the Client Fund, including beginning and ending balances as well as a description of the account activity. On a monthly basis,

investors in the Client Funds generally receive a firm-wide investment commentary and/or review of performance. Annually, as noted in Item 15, below, investors in the Client Funds for which the Adviser has custody receive audited financial statements of the Client Fund in which they invest and tax reporting information, if applicable. In special circumstances and upon request, the Adviser may provide an investor with a report in a special or specific format or with specific content that may not generally be available to other investors.

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

The Adviser does not receive any economic benefit from a third party for providing investment advice or other advisory services to the Client Funds.

In certain instances, the Adviser relies on properly registered third-party distributors for the distribution of Fund interests or shares and/or identifying candidates for whom a Single Investment Fund based on a specific individual mandate may be suitable. In such instances, the third party distributor is typically compensated by way of a retrocession that is specified in the applicable Selling or Referral Agreement. Retrocession is a term used to describe an on-going fee payable by the Adviser to the third party distributor so long as such assets placed by the third party distributor remain invested in the Funds advised by the Adviser. The Adviser may pay all or part of its management fee or performance-based compensation to third party distributors for assisting in the placement of interests in Funds or for providing seed capital to Funds.

#### **Item 15 – Custody**

As investment adviser (or sub-adviser) to the Client Funds, K2 Advisors has custody of certain of the Client Funds' assets for purposes of the Advisers Act. Cash, cash management instruments and other direct Client Fund investments are maintained with a qualified custodian. The Client Funds' interests in Investment Funds are not required to be maintained with a qualified custodian.

In order to comply with the Advisers Act's "custody rule," the Adviser ensures that the Client Funds for which the Adviser has custody are audited each year by an independent public accountant that is both registered and inspected by the Public Company Accounting Oversight Board, and that audited financial statements for each such Client Fund are provided to investors in that Client Fund within 180 days of the end of that Client Fund's fiscal year.

#### **Item 16 – Investment Discretion**

K2 Advisors has investment discretion for all Funds. K2 Advisors has discretionary authority over certain, but not all, of the Single Investor Funds and Sub-Advised Funds.

K2 Advisors usually receives discretionary authority from the Funds pursuant to an investment management agreement or limited liability company operating agreement with each Fund. To the

extent the Adviser has discretionary authority over assets of a Sub-Advised Fund, such authority is granted in an advisory agreement between the Adviser, and both or one of the Sub-Advised Fund and the manager of such Sub-Advised Fund. In all cases, discretionary authority is exercised in a manner consistent with the stated investment objectives for the particular Client Fund, as set forth in the Client Fund's governing documents or the Adviser's advisory agreement with such Client Fund. When selecting investments and determining amounts, K2 Advisors observes the investment policies, limitations and restrictions of the Client Funds it advises.

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

The Adviser has implemented policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 under the Advisers Act. The Adviser does not anticipate owning any equity securities granting it or its Client Funds the right to vote proxies on a regular basis. However, if the Adviser exercises voting authority with respect to its Client Funds, the Adviser will act in accordance with such policies and procedures, which are reasonably designed to ensure that proxies are voted in the best interest of the Adviser's clients, after taking into consideration all relevant facts and circumstances at the time of the vote, and in accordance with the Adviser's fiduciary duties and applicable regulations.

When the Adviser has proxy voting authority with respect to a Client Fund, no investor in that Client Fund has the ability to direct the Adviser's voting of proxies for the applicable Client Fund.

Any actual or apparent conflict of interest between the interests of the Adviser and its Client Funds are resolved in a manner that is consistent with the best interests of the Adviser's Client Funds and in a manner not affected by such actual or apparent conflict of interest. Investors may obtain a copy of the Adviser's voting policies and procedures and information regarding how the Adviser voted proxies with respect to securities in the Client Fund(s) in which that investor holds shares or interests by addressing such request to the Adviser's Investor Relations Group at 203-504-1407 or [Investoractivity@k2advisors.com](mailto:Investoractivity@k2advisors.com).

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients, and has not been the subject of a bankruptcy proceeding.