



Whitebox Advisors, LLC

Form ADV Part 2A– Disclosure Brochure

November 23, 2011

3033 Excelsior Boulevard, Suite 300
Minneapolis, MN 55416
Phone: 612-253-6001
Fax: 612-253-6100
www.whiteboxadvisors.com

This Brochure provides information about Whitebox Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at 612-253-6001 or invrelations@whiteboxadvisors.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Whitebox Advisors, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

This document does not constitute an offer to sell or a solicitation to buy interests in any private investment fund. The information contained in this document is qualified in its entirety by reference to disclosures made in the relevant confidential private placement memorandum ("Private Offering Memorandum") and related attachments and exhibits for each private investment fund advised by Whitebox Advisors, LLC and its affiliates. These documents should be carefully reviewed prior to making an investment decision.

Additional information about Whitebox Advisors, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide as required by SEC Rules. This Brochure dated November 23, 2011 is an interium update prepared according to the SEC’s requirements and rules.

This Brochure updates the disclosure brochure filed as an interim update on July 31, 2011. Since the July 31st update Whitebox Advisors, LLC has launched and serves as the investment advisor to an open ended mutual fund, Whitebox Mutual Funds, a Delaware statutory trust (the “Mutual Fund”) that is currently offering its shares in two series. Such changes are detailed in Item 5 – Fees and Compensation, Item 7 – Types of Clients, and Item 10 – Other Fiduciary Activites and Affiliations. Additional information including advisory fees and investment miniminums are available in the Mutual Fund’s prospectus. Currently, our Brochure may be requested by contacting Investor Relations at 612-253-6001 or invrelations@whiteboxadvisors.com.

Additional information about Whitebox Advisors, LLC is also available via the SEC’s web site www.adviserinfo.sec.gov.

Item 3 -Table of Contents

Item 1 – Cover Page	
Item 2 – Material Changes.....	ii
Item 3 –Table of Contents	iii
Item 4 – Advisory Business	4
Item 5 – Fees and Compensation	4
Item 6 – Performance-Based Fees and Side-By-Side Management.....	8
Item 7 – Types of Clients.....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	10
Item 9 – Disciplinary Information.....	20
Item 10 – Other Financial Industry Activities and Affiliations.....	21
Item 11 – Code of Ethics.....	22
Item 12 – Brokerage Practices	24
Item 13 – Review of Accounts	27
Item 14 – Client Referrals and Other Compensation.....	27
Item 15 – Custody.....	28
Item 16 – Investment Discretion.....	29
Item 17 – Voting Client Securities	30
Item 18 – Financial Information.....	30

Item 4 – Advisory Business

The Adviser

Whitebox Advisors, LLC, a Delaware limited liability company (the “Adviser,” “Whitebox” or “we”) manages and advises private investment funds, and to a limited extent, separately managed accounts. Whitebox also sponsors and serves as investment adviser to a mutual fund.

Whitebox is an SEC registered investment adviser which employs quantitative and qualitative analytics to seek arbitrage opportunities in credit, relative value, equities and events (Item 8 provides more information on the investment strategies). Founded in 2000, as of December 31, 2010 Whitebox managed over \$2.7 billion in discretionary assets and employed more than 70 professionals in our offices in Minneapolis, Minnesota and Austin, Texas. As of December 31, 2010, 84.5% of the adviser is owned by the founder and Chief Executive Officer, Andrew Jay Redleaf.

Private Investment Funds

The Adviser provides discretionary investment advisory services for a family of private investment funds with varying investment objectives (the “Private Funds”). (Item 10 provides additional information about the Private Funds, Item 8 provides additional information on investment objectives.) The Adviser provides investment advice to the Private Funds through special purpose investment advisers controlled by the Adviser (the “Affiliated Advisers”). References herein to the “Adviser” include “Affiliated Advisers”, unless otherwise required by the context.

Item 10 provides additional information regarding the Affiliated Advisers.

More information concerning the Private Funds is available in each Private Fund’s Private Offering Memorandum.

Investment Company

The Adviser also serves as the investment adviser to the Mutual Fund, which intends to offer shares in two series, Whitebox Tactical Opportunities Fund and Whitebox Enhanced Convertible Fund (the “Mutual Funds”). More information concerning the Mutual Fund, is available in the Mutual Fund’s prospectus.

Separately Managed Accounts

Certain Clients may impose certain investment restrictions with respect to leverage, type of investments, counterparty relationships, and strategy.

Item 5 – Fees and Compensation

Private Funds

The fees for advisory services to the Private Funds are set forth in the applicable fund’s Private Offering Memorandum. Typically, each Private Fund pays the Adviser a fee generally equal to a percentage of the capital account balances of each Private Fund investor as of the first day of each calendar month (a “Management Fee”). One Private Fund, however, does pay the Adviser an annual flat dollar amount for its Management Fee.



WHITEBOX

The Adviser may also be entitled to receive performance based compensation from each Private Fund, which is assessed based on a percentage of profit allocated to investors (an “Incentive Fee”). An Incentive Fee, when applicable, is generally determined for each investor at the end of each calendar year. The Incentive Fee will generally equal 20% of profits allocated to each investor without deduction for Management Fees, subject to a net loss recovery account commonly referred to as a “high water mark” (pursuant to which a loss allocated to a Private Fund investor must first be offset by profits earned in ensuing Incentive Periods).

The Adviser reserves the right to negotiate a higher or lower Management Fee and Incentive Fee with certain investors in its discretion. Refer to the individual Private Fund’s Private Offering Memorandum for additional detail. (Item 6 provides further information regarding Incentive Fees, including potential conflicts of interest).

Separately Managed Accounts

The Adviser does not maintain a standard fee schedule for separately managed accounts, thus fees are negotiated on an individual basis. However, fees charged to separately managed client accounts generally resemble the fees assessed to Private Funds following similar investment strategies and generally includes both a Management Fee and Incentive Fee. (Item 6 provides more information about Incentive Fees, including potential conflicts of interest).

<u>Fee Schedule as of August 31, 2011*</u>								
	Whitebox Multi-Strategy Fund LP and Ltd	Whitebox Asymmetric Opportunities Fund LP and Ltd	Whitebox Credit Arbitrage Fund LP and Ltd	Whitebox Concentrated Convertible Arbitrage Fund LP and Ltd	Whitebox Special Opportunities Fund, LP and Ltd Series B	Whitebox L/S Equity Fund LP and Ltd	Whitebox Special Opportunities Fund, LP and Ltd Series O	Pandora Select Fund LP and Ltd
Management Fee (per annum)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	2.0%	\$150,000**
Incentive Fee	20%	20%	20%	20%	20%	20%	25%***	25%
*Adviser reserves the right to negotiate all fees **per limited partner invested in the fund per annum ***for the first two years following the investment reduced to 20% thereafter								

Mutual Fund Fees

The Mutual Fund charges shareholders an annual management fee of 1.00% of that shareholders investment in the Mutual Fund. Shareholders may be charged other fees including sales charges (load), redemption fees, 12b-1 service fees, and other fees. Such fees and expenses are detailed in the Mutual Fund’s Prospectus.



WHITEBOX

Whitebox Tactical Opportunities Fund¹

	<u>Investor Shares</u>	<u>Advisor Shares</u>	<u>Institutional Shares</u>
Shareholder Fees (fees paid directly from your investment):			
Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)	4.50%	None	None
Maximum Deferred Sales Charge (Load) (as a percentage of offering price or redemption proceeds, whichever is lower)	1.00%	None	None
Redemption Fee (as a percentage of amount redeemed within 60 days of purchase)	2.00%	2.00%	2.00%
Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)²:			
Management Fee	1.00%	1.00%	1.00%
Service (12b-1) Fee	0.25%	0.25%	None
Other Expenses	<u>0.46%</u>	<u>0.46%</u>	<u>0.46%</u>
Total annual fund operating expenses	1.71%	1.71%	1.46%
Less: Contractual fee and expense waivers ³	<u>0.11%</u>	<u>0.11%</u>	<u>0.11%</u>
Net annual fund operating expenses	<u>1.60%</u>	<u>1.60%</u>	<u>1.35%</u>

¹ For additional information refer to the Fund prospectus as filed with the Securities and Exchange Commission.

² This table shows the estimated annual operating expenses of each Class of Tactical Opportunities Fund's Shares as a ratio of expenses to average daily net assets. Operating expenses are estimated for the current fiscal year because the Fund had not commenced operations as of the date of this prospectus.

³ Whitebox Tactical Opportunities Fund's investment adviser has contractually agreed to waive its management fee and/or to reimburse expenses of the Fund to the extent necessary to maintain the total annual fund operating expenses at no more than the percentages referenced in the table above for each Class of Shares, exclusive of interest, taxes, dividend expense, borrowing costs, acquired fund fees and expenses, interest expense related to short sales, and extraordinary expenses. This arrangement will continue at least through October 31, 2012.



WHITEBOX

Whitebox Enhanced Convertible Fund⁴

	<u>Investor Shares</u>	<u>Advisor Shares</u>	<u>Institutional Shares</u>
Shareholder Fees (fees paid directly from your investment):			
Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)	4.50%	None	None
Maximum Deferred Sales Charge (Load) (as a percentage of offering price or redemption proceeds, whichever is lower)	1.00%	None	None
Redemption Fee (as a percentage of amount redeemed within 60 days of purchase)	2.00%	2.00%	2.00%
Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)⁵:			
Management Fee	1.00%	1.00%	1.00%
Service (12b-1) Fee	0.25%	0.25%	None
Other Expenses	<u>0.46%</u>	<u>0.46%</u>	<u>0.46%</u>
Total annual fund operating expenses	1.71%	1.71%	1.46%
Less: Contractual fee and expense waivers ⁶	<u>0.11%</u>	<u>0.11%</u>	<u>0.11%</u>
Net annual fund operating expenses	<u>1.60%</u>	<u>1.60%</u>	<u>1.35%</u>

Additional Compensation

Whitebox and its employees do not accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products. Whitebox has no agreements, oral or in writing, where it is paid cash by or receives some economic benefit

⁴ For additional information refer to the Fund prospectus as filed with the Securities and Exchange Commission.

⁵ This table shows the estimated annual operating expenses of each Class of Tactical Opportunities Fund's Shares as a ratio of expenses to average daily net assets. Operating expenses are estimated for the current fiscal year because the Fund had not commenced operations as of the date of this prospectus.

⁶ Whitebox Enhanced Convertible Fund's investment adviser has contractually agreed to waive its management fee and/or to reimburse expenses of the Fund to the extent necessary to maintain the total annual fund operating expenses at no more than the percentages referenced in the table above for each Class of Shares, exclusive of interest, taxes, dividend expense, borrowing costs, acquired fund fees and expenses, interest expense related to short sales, and extraordinary expenses. This arrangement will continue at least through October 31, 2012.



(including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients.

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

The Adviser receives Incentive Fees. An Incentive Fee is an advisory fee based on a percent of capital gains or capital appreciation of client assets.

Potential Conflict of Interest

Receipt of Incentive Fees from the Private Funds and separately managed accounts creates conflicts of interest. Whitebox can potentially receive higher fees from accounts with a higher Incentive Fee. For example Whitebox may have an incentive to direct the best investment ideas to the Private Funds or accounts that pay a higher Incentive Fee or allocate a sequence of trades in favor of the higher performance fee account (known as “side-by-side management”). There is also a potential conflict of interest as the Mutual Fund investors do not pay an Incentive Fee again creating the incentive to direct the best investment ideas away from the Mutual Funds to Incentive Fee paying Funds. To manage these potential conflicts:

- All Private Funds, the Mutual Fund, and separately managed accounts are managed to the funds’ and accounts’ individual strategy.
- The Adviser performs a periodic review of each clients’ investment strategy versus actual holdings. In addition, client accounts are periodically monitored for consistency with stated objectives and strategy.

Whitebox has implemented trade allocation procedures and policies designed to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among its clients. (Item 12 provided further information regarding trade allocation practices).

Refer to the applicable Private Fund’s private placement memorandum or the Mutual Fund’s Prospectus for additional detail.

Item 7 – Types of Clients

The Adviser provides investment management services for the Private Funds, the Mutual Fund, and to a lesser extent through separately managed accounts, individuals, corporations and other businesses.

Private Funds and Separately Managed Accounts

Investors in the Private Funds must meet certain suitability requirements and upon subscription to the fund must be both “Accredited Investors” as defined in the Securities Act of 1933, and “Qualified Purchasers” as defined under the Investment Company Act of 1940, as amended. (Item 10 provides additional information about the Private Funds.) In general, in order for an investor who is an individual to be a Qualified Purchaser, the investor must have an investment portfolio of at least \$5



million. In the case of a corporation, partnership, or other entity, it must have an investment portfolio of at least \$25 million. Interests in the Private Funds generally are offered on a monthly basis, or on a frequency determined by the Adviser. Separately managed account clients also must meet certain sophistication and suitability requirements upon establishment of such accounts.

Any Private Fund investor or separately managed account client subject to performance based compensation will also be required to be a “qualified client” within the meaning of the Advisers Act. Additional restrictions may apply with respect to performance based compensation paid by benefit plan investors that are separately managed account clients or are invested in Private Funds that are “Plan Assets” under ERISA.

Minimum initial investment for investors in Private Funds is generally \$5 million. Minimum initial account balance for separately managed account clients is generally \$50 million. The Adviser, in its discretion may permit minimum initial investments or separately managed account balances lower than these established minimums.

The Adviser on its own behalf, and on the behalf of a Private Fund, may from time to time enter into a side letter or similar agreement with a Private Fund investor which has the effect of establishing rights under, or altering or supplementing the terms of the respective Private Placement Memorandum or partnership agreement. While the Adviser will not enter into any side letter agreement that it expects will disadvantage a Private Fund, separately managed account client, or Private Fund investor, prospective Private Fund investors should be aware that under certain circumstances the preferential rights granted to side letter recipients may have the effect of benefiting certain investors to the detriment of others.

Mutual Fund

Each Mutual Fund offers investors three Classes of shares: Investor Class, Advisor Class and Institutional Class shares. The minimum investment in Investor Class shares is \$1,000 for tax-deferred accounts and \$5,000 for other accounts. The minimum investment in Institutional Class shares is \$2 million. There is no investment minimum for qualifying investments in Advisor Class shares. Investors generally may meet the minimum investment amount by aggregating multiple accounts within a Mutual Fund. Subsequent investments in Investor Class Shares may be made in amounts of at least \$200 for tax-deferred accounts and \$1,000 for other accounts. There is no subsequent investment minimum for Advisor Class and Institutional Class shares.

Each Mutual Fund reserves the right to waive or change investment minimums. For accounts sold through financial intermediaries, it is the primary responsibility of the financial intermediary to ensure compliance with investment minimums.



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

General Investment Strategy and Methods of Analysis Overview

The Whitebox advised Private Funds and separately managed accounts employ both quantitative and qualitative disciplines to seek arbitrage opportunities in credit, relative value, equities, and events. The Adviser focuses on inefficiencies arising from complex capital structures and the resulting inter-market valuation relationships, the policy constraints on institutional investors, and the limited functionality of dormant models for value and risk. Institutions making large asset-class allocations necessarily operate at a high level of abstraction, requiring them to employ implicit and explicit rules that blur potentially crucial valuation and risk factors. By operating at a lower level of abstraction the Adviser seeks to exploit the inevitable inefficiencies.

The Adviser utilizes various types of modeling for analyzing potential investment opportunities and such information may be used in developing investment decisions. The Adviser's security analysis methods include but are not limited to, charting, cyclical analysis, fundamental analysis, modeling, and technical analysis. The main sources of information the Adviser utilizes include, but are not limited to financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

As with any investment, there can be no assurance that the investment objective will be achieved or that an investor will not lose a portion or all of its investment. The information contained in this document is qualified in its entirety by reference to disclosures made in the private offering memoranda and related attachments and exhibits and relevant investment management agreements.

Specific Strategies and Methods of Analysis Employed by the Private Funds and Separately Managed Accounts

Relative Value

Relative value investing involves taking simultaneous long and short positions in closely-related markets. This strategy relies on the exploitation of market inefficiencies, without speculating on the direction of interest rates, currency exchange rates or equity prices, and without assuming an unhedged exposure to any particular market.

- ***Convertible Arbitrage.*** Convertible arbitrage involves the purchase of an undervalued convertible bond, while hedging with a short position in the underlying equity. The future relationship of the prices of the two securities can be reasonably predicted, and profits are made as the price of the convertible bond converges to its fair value.

- ***Credit and Capital Structure Arbitrage.*** Credit arbitrage involves the purchase and simultaneous sale of fixed income securities of the same or different issuers, or the arbitrage of bond futures and the underlying bonds. Fixed income arbitrage strategies include basis trading, credit spread trading, calendar spread trading, yield curve arbitrage, inter-market spread trading, and mortgage backed securities arbitrage. When applied to a capital structure, long and short positions in securities (or their derivatives) are established at different tiers within an issuer's capital structure in ratios designed to maintain a generally neutral overall exposure to the issuer



while exploiting a pricing inefficiency. Credit and capital structure arbitrage strategies profit from the disparity in prices between the various related securities in anticipation that over time all tiers and classes will become more efficiently priced relative to one another.

Event Driven

Event-driven investing is a strategy that focuses on the securities of companies undergoing some material structural changes. These changes can come in the form of mergers, acquisitions, and other transactions.

- *Distressed/High-Yield.* The distressed or high-yield strategy involves investing in the securities of companies experiencing financial or operational difficulties. These securities generally are of below investment grade quality and trade at substantial discounts to par value and, in part, is premised on the need for certain classes of investors to sell low-credit instruments. Profits are made based on two kinds of mispricings: (1) fundamental or intrinsic value, and (2) relative value between comparable securities.

- *Special Situations.* Special situation investing involves the purchase and sale of stocks of companies involved in spin-offs, capital structure reorganizations, liquidations, and other similar corporate restructuring events. This strategy involves seeking profits by taking positions in financial instruments that become mispriced due to these special situations.

Equity

Equity investing involves the purchase and sale of listed equity and equity-related financial instruments usually based on fundamental research and analysis.

- *Long-Biased Equity.* Long-biased equity investing generally involves the purchase of financial instruments the Adviser believes are undervalued.

- *Hedged Equity.* Hedged-equity investing involves the purchase of financial instruments that the Adviser believes are undervalued and the short sale of financial instruments the Adviser determines to be overvalued. Hedged-equity managers seek to manage market risk by varying their levels of long and short exposure.

- *Short-Biased Equity.* Short-biased equity investing involves the purchase and short sale of equity and equity-related financial instruments. A short sale involves selling the securities of issuers that the Adviser believes are overvalued based upon an assessment of the prospects of those issuers. Managers using this strategy consider a wide range of factors in determining whether a security is overvalued, and may sell a security short because: an issuer has negative cash flows; the security has an exceedingly high market value relative to the value of the assets or the earnings or expected earnings of the issuer; or the issuer is operating at a deficit. Short-biased managers will generally be net short and maintain higher exposures on the short side relative to the long side.

Macro

Macro strategies involve taking long and short positions in financial instruments based on a top-down view of economic and capital market conditions. The Adviser begins by evaluating opportunities based on economic factors, working their way down to industry, sector, and company specific fundamentals. Investments are usually made in a wide variety of instruments including stocks, bonds, currencies, and derivatives. Managers pursuing macro strategies make judgments



about the expected future price direction of these instruments and express that opinion by taking long or short positions in these instruments.

- *Fundamental/Opportunistic.* Macro opportunistic managers use the top-down approach to identify long and short investment opportunities, and rely on a wide range of tools to assist in making these judgments, including, but not limited to, relying on instinct and human judgment. Interest rates along with other economic indicators are the main tools used in the research and security selection process.

- *Systematic/Short-term Trading.* Systematic/short-term trading managers utilize proprietary computer-based models and trading strategies in seeking to profit from long and short investment opportunities. These managers usually employ very active, high portfolio turnover trading strategies in order to capture profits from shorter-term trading patterns and trends that emerge from macro-related factors.

- *Commodities.* Managers in this area purchase and sell commodity futures and related options contracts based on supply and demand factors affecting pricing within each market. The commodity futures contracts traded may include agricultural commodities (such as corn, oats, wheat and oils), metals (such as gold, silver, copper, platinum and palladium), energy products (such as crude oil, gasoline, heating oil, natural gas, coal and propane), along with equity/bond index and currency futures. Certain managers may also use commodity-related equities to implement their strategies.

SPECIAL CONSIDERATIONS AND RISK FACTORS

There are various substantial risks associated with an investment in the Private Funds, Mutual Fund or separately managed accounts. There are many market-related and other factors--some of which cannot be anticipated--that could cause an investor to lose a major portion or all of his investment, prevent the fund or account from generating profits, or eradicate an investor's after-tax return on his investment. No person should invest in the Private Funds, Mutual Fund or separately managed accounts unless he is fully able, financially and otherwise, to bear such a loss, and unless he has the background and experience to understand thoroughly the risks of his investment. For additional risk factors and considerations and specific information about the risks and considerations relevant to a particular Private Fund see the respective fund's Private Offering Memorandum. Additional information regarding the risks relevant to the Mutual Fund are set forth in its Prospectus.

General Risk Factors

No Guarantee of Investment Performance. The Adviser cannot guarantee that an investment strategy will achieve its stated investment objective, or achieve positive or competitive investment returns. The Adviser cannot control market, regulatory, and other factors which may affect performance. Clients and investors bear the risk that they could lose a portion or all of their investment.



Non-Diversification and Sector Concentration. Client investment portfolios may be concentrated in a limited number of issuers or market sectors. Non-diversification among issuers involves an increased risk of loss if the market value of a security or issuer should decline. If client accounts concentrate their investments in a market sector, financial, economic, business, and other developments affecting issuers in that sector will have a greater effect on the client account than if it had not concentrated its assets in that sector.

High Portfolio Turnover. The strategies employed are expected to lead to frequent changes in investment portfolios. Higher portfolio turnover generally involves additional expense, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities.

Operational and Human Error. Success of the various strategies depends in part upon the accurate calculation of price relationships, the communication of precise trading instructions and ongoing position evaluations. In addition, the various strategies require active, ongoing management and dynamic adjustments to the investment portfolio. There is the possibility that, through human error, oversight or operational weaknesses, mistakes could occur in this process and lead to significant trading losses.

Investment Competition. The market for some types of securities is highly competitive. The Adviser will be competing for investment opportunities with a significant number of financial institutions, other private funds, as well as various institutional investors. Many of these competitors are larger and have greater financial, human and other resources than the Adviser and may in certain circumstances have a competitive advantage. As a result of this competition, there may be fewer attractively priced investment opportunities, which could have an adverse impact on the ability to meet investment objectives. There can be no assurance that the returns on investments will be commensurate with the risk of the investment.

Market Risk Factor

Economic Risk. Changes in economic conditions, including, for example, interest rates, inflation rates, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects.

Volatility of Securities Markets. Securities prices may be volatile, and securities price movements are influenced by many unpredictable factors.

Counterparty Risk. Many of the markets in which the Adviser effects transactions are “over-the counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. This lack of oversight creates a risk that a counterparty will not settle the transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus potentially causing a loss. Such counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Adviser has concentrated its transactions with a single or small group of counterparties. The Adviser is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Adviser has no internal credit function which evaluates the creditworthiness of its counterparties. The ability of



the Adviser to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses.

Lack of Liquidity in Markets. Despite the heavy volume of trading in securities, the markets for some securities have limited liquidity and depth. This lack of depth could be a disadvantage, both in the realization of the prices which are quoted and in the execution of orders at desired prices.

Non-U.S. Securities Markets. Because non-U.S. securities markets are generally less regulated than U.S. markets, the trading on those markets presents certain risks that may not be present in trading on U.S. markets. For example, some foreign securities exchanges are "principals exchanges" in which performance is the responsibility only of the individual exchange member and not of an exchange clearing house.

Strategy Risk Factors

Securities of Smaller Companies and Issuers. Small companies may offer greater opportunities for capital appreciation than larger companies, but investments in such companies may involve certain special risks. Securities issued by small companies or issuers may be collateralized, however making an actual foreclosure on and subsequent sale of these assets may be lengthy and inefficient. Small companies may have limited product lines, markets, or financial resources and may be dependent on a limited management group. While the markets in securities of such companies have grown rapidly in recent years, such securities may trade less frequently and in smaller volume than more widely held securities. The values of these securities may fluctuate more sharply than those of other securities, and the Adviser may experience some difficulty in establishing or closing out positions in these securities at prevailing market prices. There may be less publicly available information about the issuers of these securities or less market interest in such securities than in the case of larger companies, and it may take a longer period of time for the prices of such securities to reflect the full value of their issuers' underlying earnings potential or assets.

Illiquid Securities. Illiquid investment may be difficult to readily dispose of in the ordinary course of business. In addition, illiquid investments may not have an established trading market. In the absence of an established trading market, the Adviser will, in accordance with its valuation policies then in effect value such investments in good faith. Accordingly, the valuation of such securities may be based in significant part on the valuations determined by the Adviser and its agents without reference to an established market for such investments.

Trade Receivables and Bank Loans. Like privately issued securities, such instruments are typically difficult to value and may be highly illiquid. Moreover, such instruments are typically in default, and collection on such instruments may be through a lead bank acting as servicer for all participant lenders (in the case of bank loans) or through bankruptcy or other formal or informal collection proceedings. Although trade receivables and bank loans are typically available at substantial discounts to their face values, investments in such instruments should be considered highly speculative.



Private Placements. Privately issued securities are generally subject to legal or contractual resale restrictions. The Adviser may be unable to publicly sell these securities unless they are registered under applicable securities laws, or unless a registration exemption is available. Such securities are also typically difficult to value. For these reasons, disposition of privately issued securities may be difficult and may require a lengthy period of time.

Private Investment in Public Equity ("PIPEs"). PIPEs are private (unregistered) offerings of common stock or other equity securities, usually at a discount to current market price, issued by public companies. The typical PIPE is subject to a "lockup" agreement that prohibits the owner from reselling the PIPE security until it is registered or until a designated holding period has elapsed. On occasion, the SEC has refused to allow PIPE securities to be registered due to the immediate impact such registration could have on the public market for such securities (for example, if certain owners of such PIPEs have sold the securities short in anticipation of their registration). Typically, PIPE securities are offered by small public companies, companies in need of regular cash infusions, companies in financial distress or companies where a public offering has failed. While PIPE financings have become very popular, PIPE securities may be susceptible to special risks that may not be present in the same company's publicly traded securities. Substantial illiquidity could remain even after a PIPE security becomes registered for public sale.

Derivatives. Derivatives include, but are not limited to, options, warrants, rights, futures and swaps. The derivatives market is, in general, a relatively new market and there are uncertainties as to how it will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Substantial risks are also involved in borrowing and lending against derivatives. Derivatives prices can be volatile, market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by a client account, thereby causing substantial losses. Most of these instruments are not traded on exchanges but rather through an informal network of banks and dealers who have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force the Adviser or its agents to close out positions). In addition, some derivatives carry the additional risk of failure to perform by the counterparty to the transaction. Many unforeseeable events, such as government policies, can have profound effects on interest and exchange rates, which in turn can have large and sudden effects on prices of derivative instruments.

Non-Investment Grade Convertible Securities. Non-investment grade convertible securities are considered speculative and may be in poor credit standing or even in default as to payments of principal or interest. Moreover, such securities generally are less liquid than investment grade securities.

Foreign Securities. Interest or dividend payments on certain foreign such securities may be subject to foreign withholding taxes. Investments in foreign securities involve considerations and risks not typically associated with investments in securities of domestic companies, including possible unfavorable changes in currency exchange rates, reduced and less reliable information about issuers and markets, different accounting standards, illiquidity of securities and markets, local economic or political instability and greater market risk in general.

Currency Risks. Adverse fluctuations between U.S. Dollars and foreign denominated currencies may reduce, eliminate, or cause losses where a trade may have otherwise been



profitable in the denominated currency of the traded instrument. The Adviser may attempt to mitigate the risks associated with currency fluctuations at times by entering into, when available, forward or options contracts or by the purchase or sale of foreign currencies in connection with the acquisition, holding or disposition of investments, but is not obligated to do so. In addition, the investments may be adversely affected by the imposition of unfavorable mandatory exchange rates and other limitations or prohibitions on the exchange or repatriation of currencies and securities.

Swaps. Swap transactions may be highly illiquid. Moreover, the investor bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Adviser's ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

Futures Contracts. Futures contracts are customarily bought and sold on margins which range upward from less than two percent of the purchase price of the contract being traded. Because of these low margins, price fluctuations occurring in futures markets may create relative profits and losses which are greater than in other forms of investment. When the market value of a particular open futures position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a margin call will be made by the trader's commodity broker. If the margin call is not met within a reasonable time, the broker may close out the trader's position.

Exchanges on which futures are traded may have the right to suspend or limit trading in the commodities that they list. Such a suspension or limitation could render it impossible for the Adviser to liquidate positions and thereby be exposed to losses. In addition, there is no guarantee that exchange and other secondary markets will always remain liquid enough for the Adviser to close out existing futures positions.

Futures exchanges may limit fluctuations in futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Similar occurrences could prevent the Adviser from promptly liquidating positions in futures or commodity options. To the extent that such positions are unhedged, such occurrences could subject the client accounts to losses.

Bonds and Other Fixed-Income Securities. Fixed-income securities include, but are not limited to: bonds, convertible bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. Government or one of its agencies or instrumentalities ("U.S. Government Securities") or by a foreign government; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed-income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).



The Adviser may direct investment in both investment grade and non-investment grade debt securities. Non-investment grade debt securities (typically called “high yield bonds”) are securities that have received a rating from a recognized statistical rating organization (“NRSRO”) of below investment grade or have been given no rating, and are considered by the NRSRO to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. Non-investment grade debt securities in the lowest rating categories may involve a substantial risk of default or may be in default. Adverse changes in economic conditions or developments regarding the individual issuer are more likely to cause price volatility and weaken the capacity of the issuers of non-investment grade debt securities to make principal and interest payments than is the case for higher grade debt securities. An economic downturn affecting an issuer of non-investment grade debt securities may result in an increased incidence of default. In addition, the market for lower grade debt securities may be thinner and less active than for higher grade debt securities.

Distressed Investment Risk. Distressed investments 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 laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the 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 prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the security in respect to which such distribution was made.

In certain transactions, the investment may not be “hedged” against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor’s estate prior to any return to creditors (other than out of assets or proceeds thereof, which are subject to valid and enforceable liens and other security interests) and equity holders. In addition, certain claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

The Adviser or its agents may elect to serve on creditors’ committees or other groups to ensure preservation or enhancement of its creditor position. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If the Adviser concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the client accounts, it will resign from that committee or group, and the client accounts may not realize the benefits, if any, of participation on the committee or group. In addition, if the Adviser is represented on a committee or group, it may



be restricted or prohibited under applicable law from disposing of its investments in the relevant debtor while it continues to be represented on such committee or group.

Distressed Securities and Securities Issued by Companies with a Low Credit Rating. Such securities may be below “investment grade” and face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer’s inability to meet timely interest and principal payments. Such securities tend to be highly volatile and illiquid. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue such securities often are highly leveraged and may not have available to them more traditional methods of financing. Any economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities. The ability to realize significant appreciation in the value of such securities may depend upon the issuer’s ability to achieve a successful reorganization or restructuring. The risk inherent in such securities may be offset by hedging techniques, but this is not always the case. In some instances, hedging could compound the risk.

High Yield Risk. Investing in high yield debt securities involves risks which are greater than the risks of investing in higher quality debt securities. These risks include: (i) changes in credit status, including weaker overall credit conditions of issuers and risks of default; (ii) industry, market and economic risk; (iii) interest rate fluctuations; and (iv) greater price variability and credit risks of certain high yield securities such as zero coupon and payment-in-kind securities. While these risks provide the opportunity for maximizing return over time, they may result in greater upward and downward movement of the value of a portfolio. Furthermore, the value of high yield securities may be more susceptible to real or perceived adverse economic, company or industry conditions than is the case for higher quality securities. Adverse market, credit or economic conditions could make it difficult at certain times to sell certain high yield securities.

Repurchase Agreements. Repurchase agreements are a contract under which a security is acquired for a relatively short period (usually not more than one week) subject to the obligation of the seller to repurchase and the purchaser to resell such security at a fixed time and price (representing the purchaser’s cost plus interest). Repurchase agreements may also be viewed as loans which are collateralized by the securities subject to repurchase. If the counterparty defaults, the purchaser could realize a loss on the sale of the underlying security to the extent that the proceeds of sale including accrued interest are less than the resale price provided in the agreement including interest. In addition, if the seller should be involved in bankruptcy or insolvency proceedings, the purchaser may incur delay and costs in selling the underlying security or may suffer a loss of principal and interest if the purchaser is treated as an unsecured creditor and required to return the underlying collateral to the seller’s estate.

Interest Rate Risk and Duration Risk. The value of the fixed-income component of a convertible security generally can be expected to fall when interest rates rise and to rise when interest rates fall. Interest rate risk is the risk that interest rates will rise, so that the value of the security will fall. Duration measures the approximate price sensitivity of a security to changes in interest rates and it is the primary measure of risk within the fixed-income component of a convertible security. Changing conditions and perceptions, including market fluctuations, may



modify an obligation's duration and, independently, have other adverse effects on the value of a security.

Borrowing and Leverage. Borrowing and leverage significantly increases the market exposure and risk. When money is borrowed for leverage and the investments increase or decrease in value, the value of the investment will increase or decrease more (possibly by multiples, depending upon the degree of leverage employed at such time) than if the investment had not been made with borrowed money. In addition, interest paid on borrowed money will reduce the amount of any potential gains or increase any losses.

Short Sales. Strategies that execute short sales may incur a loss if the price of the security sold short increases in value between the date of the short sale and the date when the security is purchased to replace the borrowed security. Losses are potentially unlimited in a short sale transaction. In addition, the amount of any gain will be decreased, and the amount of any loss increased, by the amount of the premium, dividends, interest, transaction costs or expenses required in conjunction with the short sale.

Trading in Commodity Interests is Volatile. Commodity interest prices and other contract prices are highly volatile. Price movements of commodity interests are influenced by, among other things, changing supply and demand relationships, governmental, trade programs and policies, weather and national and international political and economic events. None of these factors can be controlled by the Adviser.

Commodity Trading May Be Illiquid. Certain commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity cannot be taken or liquidated unless both a buyer and seller are willing to effect trades at or within the limit. Similar occurrences, or regulatory intervention in the commodity markets, could prevent the Adviser from promptly liquidating unfavorable positions and adversely affecting trading and profitability.

Hedging Transactions. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible to hedge against a fluctuation at a price sufficient to protect assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. In addition, it may not be possible to hedge against certain risks.

The success of the hedging transactions is dependent on the Adviser's ability to correctly predict movements in the direction of the equity markets or sectors thereof. Therefore, while the Adviser may enter into such transactions to seek to reduce the risks of a decline in the equity markets generally or one or more sectors of the equity markets in particular, unanticipated increases or smaller than expected decreases in the equity markets or sectors being hedged may result in a poorer overall performance than if the Adviser had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging



strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, the Adviser may not seek to hedge certain portfolio holdings or establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Adviser from achieving the intended hedge or expose client accounts to additional risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of portfolio holdings.

Securities Lending. The risks in lending portfolio securities, as with other extensions of credit, consist of possible delay in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially.

Purchasing Initial Public Offerings. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Adviser to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

Warrants and Rights. Warrants are derivative instruments that permit, but do not obligate, the holder to subscribe for other securities or commodities. Rights are similar to warrants, but normally have a shorter duration and are offered or distributed to shareholders of a company. Warrants and rights may be considered more speculative than certain other types of equity-like securities. In addition, the values of warrants and rights do not necessarily change with the values of the underlying securities or commodities and these instruments cease to have value if they are not exercised prior to their expiration dates.

The forgoing discussion of investment strategies and their related risks is not intended to be exhaustive. The Adviser may employ additional strategies and instruments from time to time in pursuing the Funds' and separately managed accounts' interests. Those strategies and instruments have their own unique risks that may prevent the Adviser from achieving the clients' investment objective. Private Fund investors and prospective fund investors should read the relevant fund's Private Offering Memorandum and consult with their own advisors before deciding to invest. Mutual Fund investors should review the Prospectus before deciding to invest.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Whitebox or the integrity of Whitebox's management. It is Whitebox's belief and that of its management that the Adviser has no information applicable to this Item.



Item 10 – Other Financial Industry Activities and Affiliations

The Private Funds

The Adviser provides investment advice to its Private Funds through special purpose investment advisers controlled by the Adviser (the “Affiliated Advisers”). In order for the Affiliated Advisers to rely upon the Advisers’ SEC Registration, the following requirements are applicable to all Affiliated Advisers:

- a) All investment advisory activities of the Affiliated Advisers will be subject to Advisers Act and the rules thereunder;
- b) The Affiliated Advisers will be subject to examination by the SEC, and
- c) The Adviser subjects the Affiliated Advisers, their employees and persons acting on their behalf to the Adviser’s supervision and control.

The Affiliated Advisers are set forth below:

Whitebox Concentrated Convertible Arbitrage Advisors, LLC

Whitebox Credit Arbitrage Advisors, LLC

Whitebox L/S Equity Advisors, LLC

Whitebox Liquid Long Short Advisors, LLC

Pandora Select Advisors, LLC

Whitebox Special Opportunities Advisors, LLC

Whitebox Multi-Strategy Advisors, LLC

Whitebox Asymmetric Advisors, LLC

Most Private Funds are structured utilizing a “master-feeder” style structure, pooling assets from individual investors (limited partners or shareholders) through the use of onshore feeder funds and offshore feeder funds.

The Private Funds are set forth below:

Whitebox Concentrated Convertible Arbitrage Partners, LP

Whitebox Credit Arbitrage Partners, LP

Whitebox L/S Equity Partners, LP

Whitebox Liquid Long Short Equity Partners, Ltd

Pandora Select Partners, LP

Whitebox Special Opportunities Fund Series B Partners, LP

Whitebox Multi-Strategy Partners, LP

Whitebox Asymmetric Opportunities Partners, LP

The onshore feeder funds are set forth below:

Whitebox Concentrated Convertible Arbitrage Fund, LP

Whitebox Credit Arbitrage Fund, LP

Whitebox L/S Equity Fund, LP

Pandora Select Fund, LP

Whitebox Special Opportunities Fund, LP

Whitebox Multi-Strategy Fund, LP



WHITEBOX

Whitebox Asymmetric Opportunities Fund, LP
Whitebox Special Opportunities Fund, LP – Series O
Whitebox Special Opportunities Fund, LP – Series B

The offshore feeder funds are set forth below:

Whitebox Concentrated Convertible Arbitrage Fund, Ltd
Whitebox Credit Arbitrage Fund, Ltd
Whitebox L/S Equity Fund, Ltd
Pandora Select Fund, Ltd
Whitebox Special Opportunities Fund SPC, Ltd
Whitebox Multi-Strategy Fund, Ltd
Whitebox Asymmetric Opportunities Fund, Ltd
Whitebox Special Opportunities Fund SPC, Ltd – Series O
Whitebox Special Opportunities Fund SPC, Ltd – Series B

The Mutual Fund

Whitebox serves as sponsor of and investment adviser to the Mutual Fund, an open-ended registered investment company that will be offering its shares in two series, Whitebox Enhanced Convertible Fund and Whitebox Tactical Opportunities Fund. Please refer to the Mutual Fund's Prospectus and Statement of Additional Information for further detail.

Potential Conflicts of Interest

From time to time, Whitebox may recommend shares of the Mutual Fund or an investment in a Private Fund to clients for whom such an investment is suitable. Because the Mutual Fund and the Private Funds pay Whitebox fees, Whitebox waives its fees on those client assets invested in either Mutual Funds or Private Funds.

As discussed in Item 6, Whitebox has certain conflicts related to its side-by-side management of the Private Funds.

Item 11 – Code of Ethics, Personal Trading, Principal and Cross Trades

Code of Ethics

Whitebox has adopted a Code of Ethics (the “Code”) including a Personal Investment and Trading Policy and the Statement on Insider Trading pursuant to Rules 204A-1 and 204-2 under the Advisers Act. It relates to the operation of Whitebox as a registered investment adviser and is an adjunct to, and must be read in conjunction with, Whitebox's Investment Adviser Compliance and Procedures Manual (the “Manual”). The Code describes the standard of business conduct that Whitebox expects of all its supervised persons. All supervised persons are required to comply with the Code and relevant Federal Securities Laws,⁷ and in particular to carry out the fiduciary duty

⁷ The term “**Federal Securities Laws**” means the Securities Act of 1933 (**the “Securities Act”**), the Securities Exchange Act of 1934 (**the “Exchange Act”**), the Sarbanes-Oxley Act of 2002, the Investment Company Act of 1940, the Advisers Act, Title V of the Gramm-Leach-Bliley Act, any rules adopted by the Securities and



WHITEBOX

owed by Whitebox to its clients, which requires that Whitebox always act in the best interests of its clients and place their interests before Whitebox's interests.

The Code also includes guidelines related to gifts, political contributions, use of copyrighted information, retention of records, security, annual certifications, and reporting of personal securities holdings and trading activities. All Whitebox employees must accept in writing the terms of the Code upon initial employment, annually, or as amended.

Whitebox clients or prospective clients may request a copy of the Adviser's Code by contacting the Adviser by calling (612) 253-6001 or by writing to us at 3033 Excelsior Boulevard, Suite 300, Minneapolis, Minnesota 55416 or by sending an email to: invrelations@whiteboxadvisors.com.

Personal Trading

No supervised person may engage in a personal transaction in a security that is also the subject of a client transaction if such supervised person's transaction would disadvantage or appear to disadvantage the client or if such supervised person would profit from or appear to profit from such transaction at the expense of the client.

Supervised persons must submit to the Chief Compliance Officer periodic written reports about their securities holdings, transactions, and accounts (and the securities holdings, transactions, and accounts of other persons if the supervised person has beneficial ownership of such securities or direct or indirect influence or control over such accounts). The obligation to submit these reports and the content of these reports are governed by Rule 204A-1 of the Advisers Act. The reports are intended to identify conflicts of interest that could arise with respect to a supervised person's investments or accounts, and to promote compliance with the Code.

The Code is designed to assure that the personal securities transactions, activities and interests of the employees of Whitebox will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Whitebox's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is monitored for adherence to the Code, such monitoring is designed to reasonably prevent conflicts of interest between Whitebox and its clients.

Principal and Cross Trades

The Advisers Act makes it unlawful for Whitebox (or any affiliate of Whitebox):

- acting as principal for its own account, to sell any security to or purchase any security from a client, without disclosing to such client in writing before the completion of such transaction the capacity in which Whitebox (or such affiliate) acted and obtaining such client's consent to the transaction; and

Exchange Commission ("SEC") under any of these statutes, the Bank Secrecy Act as it applies to funds and investment advisers, and any rules adopted thereunder by the SEC or the Department of the Treasury.



- acting as a broker for a person other than a particular client (such as another client), to effect any sale or purchase of any security for the account of such client, without disclosing to such client in writing before the completion of such transaction the capacity in which Whitebox (or such affiliate) acted and obtaining such client's consent to the transaction.

The Adviser may determine from time to time to effect securities trades (including outright purchases and sales) between clients of the Adviser or its affiliates (this trading practice is sometimes referred to as "cross trading"). Any cross trading transactions conducted between clients of the Adviser or its affiliates will be made at the then market price for similar transactions between unrelated parties and only where an independent pricing mechanism (such as the last sales price on the exchange where the security is principally traded) is available.

Transactions between clients of the Adviser or its affiliates are effected for no consideration other than cash payment against prompt delivery of the relevant security or other instrument, are effected at current market prices, and do not involve any brokerage commissions, clearing charges, other transaction costs or fees, or other remuneration.

In light of the complicated legal considerations surrounding "principal" and "cross" trades, Whitebox portfolio managers may not, without the prior authorization of the Chief Compliance Officer and the Whitebox principals and without compliance with applicable law cause any client to: (i) purchase securities from or sell securities to Whitebox, any affiliate of Whitebox or any other client; or (ii) purchase securities issued or held by a client from such client.

Item 12 – Brokerage Practices

Selection of Broker-Dealers

The Adviser retains the authority to select broker-dealers to execute clients' securities transactions, and determines the brokerage commission rate paid by clients. The Adviser has no obligation to deal with any particular broker-dealer in the execution of securities transactions. In selecting brokers and negotiating commission rates, the Adviser will take into account the financial stability and reputation of brokerage firms and the quality of the brokerage and research services provided by such brokers, although clients may not, in any particular instance, be the direct or indirect beneficiary of the research services provided. As a result, clients of the Adviser may pay commissions higher than those that may be obtainable from other brokers.

The Adviser utilizes multiple broker-dealers as "prime brokers." Prime brokers provide various services to the Adviser and its clients, including centralized administration and custody, and consolidation of all trading activities into a single account, with all trades cleared and settled at the prime broker. Prime brokers also provide financing in connection with client transactions. The Adviser reserves the right, in its sole discretion, to change or add prime brokers and/or custodians without prior notice to clients.

Research and Other Soft Dollars Benefits

Where best price and execution may be obtained from more than one broker or dealer, the Adviser may purchase and sell securities through brokers or dealers who provide research, statistical and



other information, although clients may not necessarily be the direct or indirect beneficiaries of the research services provided. Research and related services (as defined by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended) ("Section 28(e)") furnished or paid for by brokers or dealers may include, but is not limited to:

- (i) written information and analyses concerning specific securities, companies or sectors;
- (ii) market, financial and economic studies and forecasts;
- (iii) financial and trade publications;
- (iv) statistical and pricing services;
- (v) discussions with research personnel and consultants; and
- (vi) software, databases and other technological and technical services utilized in the investment management process (including updates, modifications, improvements, product testing, maintenance, offsite or onsite backup, modifications and replacements).

The Adviser may accept research and related services only to the extent that such research and related services fall within the safe harbor for fiduciaries' use of commissions arising from clients' portfolio transactions established by Section 28(e).

Whitebox does not have any commitments or understandings to trade with specific brokers or to generate a specified level of brokerage with a particular broker in order to receive brokerage or research services. Certain brokers may provide unsolicited proprietary research to Whitebox. This research can be used to service all of the Adviser's client accounts, even though certain accounts may have not paid direct commissions to the broker or may not have use for the research. In addition to unsolicited research, certain brokers may provide invitations to attend conferences and meetings with management representatives of issuers, prospective investors or with other analysts and specialists.

Receipt of research, invitations, capital introductions, and other services from brokers who execute client trades may create conflicts of interests. When the Adviser uses client brokerage commissions to obtain research, product, or services receives a benefit because it does not have to produce or pay for the research, products, or services itself. Consequently, the Adviser may have an incentive to select or recommend a broker based on its desire to receive such research, products, and services rather than in its clients' interest in receiving most favorable execution.

Whitebox's selection of brokers to effect securities transactions is guided by the principal objective of seeking to obtain best execution for clients. Included in "best execution" are several factors:

- best price, including commissions;
- capital position of the broker;
- ability to consummate and clear trades in an orderly and satisfactory manner;
- consistent quality of service;
- risks taken in positioning a block of securities;
- and broad market coverage resulting in a continuous flow of information regarding bids and offers.

"Best execution" does not necessarily mean obtaining the lowest possible price for any particular transaction. Whitebox has implemented procedures for ensuring best execution for clients.

Bunched Trades

Generally, all contemporaneous client trades in the same equity security will be "bunched" in a single order in an effort to obtain best execution at the best security price available. Prior to placing



such a bunched order, the Adviser will prepare a written statement regarding the allocation of the order and then allocate the filled order in accordance with this written statement. If the aggregated order is not filled in its entirety, the partially filled order will be allocated pro rata based on the written statement. If a bunched order is filled at several prices, an average price and commission will be calculated, and all clients participating in the bunched order will receive the average price. The average price to a particular client could be higher or lower than the actual price that would otherwise be paid by the client in the absence of bunching. The transaction costs incurred in the transaction will be shared pro rata based on each client's participation in the transaction.

Allocation of Investment Opportunities

The Adviser provides investment advisory services to a number of different clients including the Funds and Mutual Fund that have similar objectives or invest in the same or similar investment instruments. To ensure that no client will be treated unfairly in relation to other clients in the allocation of investment opportunities, the Adviser has developed written allocation procedures to insure that investment opportunities are allocated fairly among its clients and that, over time, all clients are treated equitably. The Adviser will not, in all cases, select the same investment instruments for all clients with the same investment objectives. However, the Adviser's procedures seek to fairly allocate investment opportunities among those clients for which such investment opportunity is appropriate.

The Adviser generally allocates investment instruments in a manner designed to achieve proportionality of the position as a percentage of total notional capital of each client account for which such investment satisfies the investment objectives. This allocation, however, is subject to the Adviser's ability to eliminate or reduce an allocation to a client based on several factors including but not limited to:

- the amount of cash in a client's portfolio that is available for investment;
- the amount of investment capacity to be allocated;
- tax or other legal considerations;
- the liquidity position of a particular client;
- and whether an allocation to a particular client will have a material or immaterial impact on its overall portfolio.

Trade Errors

On occasion, a mistake may occur in the execution of a trade. As a fiduciary Whitebox owes clients duties of loyalty and trust, and as such must treat trade errors in a fair and equitable manner. Errors may occur for a number of reasons, including human input error, systems error, communications error or incorrect application or understanding of a guideline or restriction. Examples of errors include, but are not limited to the following: buying securities not authorized for a client's account; buying or selling incorrect securities; buying or selling incorrect amounts of securities; buying or selling in violation of one of our policies. In correcting trade errors, Whitebox does not: make the client account absorb any financial loss due to the trade; use soft dollars or directed trades to fix the error; or attempt to fix the error using another client account. To the extent correction of the error results in a loss to the client's account, Adviser reimburses the account. To the extent correction of the error results in a gain to the client's, Adviser allows the client to keep the benefit.

Item 13 – Review of Accounts

Review

Client accounts are reviewed by a portfolio manager on a continuous basis. The review consists of suitability analysis, position sizing, market exposure, strategy analysis, and risk monitoring. Settlement specialists and independent third party administrators reconcile cash and securities on a daily basis and resolve failed trades on an as needed basis, with a written summary of their findings. Counterparty margin requirement, collateral posted and excess cash are monitored on a daily basis. Assets under management are identified and reconciled each morning by Private Fund and aggregated to the firm level. This information is compiled in a written report and provided daily to the Chief Financial Officer. An independent third party administrator performs a preliminary accounting review monthly. A final accounting review is performed by the senior accountant and Chief Financial Officer on a monthly basis. Separately managed accounts may receive additional review as required.

Client accounts are also monitored on a periodic basis by the Investment Committee for consistency with client objectives and restrictions.

Reporting

Whitebox or its designated agent provides each investor in the Funds with periodic reports in accordance with the terms of the relevant offering memorandum and the relevant limited partnership agreement or similar agreement. Separately managed account clients receive similar information in form and substance as provided in investment management agreements that are negotiated with each such client. Written reports generally include the following:

- a monthly unaudited report summarizing fund performance and, to the extent such information is reasonably available from the Advisor, the net asset value of such investor's shares and/or capital account;
- weekly performance estimates;
- monthly analysis of investment returns and portfolio composition,
- annual audited financial statements of the Funds, to be provided not later than 120 days after the close of the Funds' fiscal year; and
- tax information and reporting as applicable.

Mutual Fund Reporting

Whitebox or its designated agent will undertake reporting as required under the Investment Company Act, the Securities Act and other relevant rule, regulations and legislation. Such reporting includes but is not limited to Form N-SAR, shareholder reports, Form N-CSR, Form N-Q, Form N-PX, annual registration update.

Item 14 – Client Referrals and Other Compensation

Other than the compensation described in Items 5 and 6 herein, and the “Research and Soft Dollar Benefits” discussed in Item 12, Whitebox does not receive an economic benefit from anyone other than its clients.

Whitebox may however enter into agreements with broker-dealers or investment advisers that are referred to as “Solicitation Agreements” or “Placement Agent Agreements” Pursuant to these agreements, Whitebox may agree to pay a percentage of the management fee and/or incentive fee collected from investors in its Private Funds to the referring broker-dealer or investment adviser. However, Private Fund investors that are referred under these agreements will not be charged fees higher than the fees described in Item 5.

Whitebox may utilize the services of broker-dealers who execute transactions, provide financing and securities on loan, or hold cash or short balances to provide capital introduction, marketing assistance, consulting with respect to technology, operations, and equipment, commitment of capital, access to management, and access to deal flow. Neither the Adviser or any Fund separately compensates any broker-dealer for any of these services.

Item 15 – Custody

Safe Custody

Ensuring the safe custody of its client’s assets is one of the Adviser’s basic fiduciary and regulatory obligations. To that end the Adviser will, among other things:

- Only open prime brokerage, trading and counterparty arrangements with brokers and counterparties which meet rigorous credit standards.
- To the extent required by law, require brokers, dealers and counterparties to maintain client assets in segregated accounts, without commingling with other proprietary or client funds.
- Keep all monies not on deposit with brokers, dealers or counterparties on deposit with major money center banks.
- Maintain all accounts solely in the name of the applicable client.
- Accept and make all payments in excess of \$10,000 solely by wire transfer or check, not in cash.

Custody of Client Assets

The Advisers Act imposes certain obligations on registered investment advisers that have “custody or possession of any funds or securities in which any client has any beneficial interest.”

An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them, regardless of whether the exercise of that authority or ability would be lawful. For example, if an investment adviser is able to charge its fees to the actual custodian of the client’s



assets and to cause the custodian to pay those fees when due, the investment adviser will be deemed to have custody or possession of the client's funds.

Whitebox is required to maintain client funds and securities for which it has custody with a "qualified custodian": (i) in a separate account for each client under the client's name; or (ii) in accounts that contain only clients' funds and securities, under the Adviser's name as agent or trustee for its clients. Qualified custodians include banks, broker-dealers, futures commission merchants and certain foreign financial institutions.

Whitebox does not maintain custody of client assets, although it is deemed by the applicable regulations to have custody of assets if separately managed account clients give it authority to withdraw fees directly from their custodial accounts. Client assets must be maintained in an account at a qualified custodian; generally a broker dealer or bank. A custodian is appointed by each client to have possession of the assets of the account, settle transactions for the account and accept instructions from Whitebox regarding the assets in the account, subject to certain restrictions.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains their investment assets. Whitebox urges clients to carefully review such statements and compare such official custodial records to the account statements that Whitebox may provide. Clients should contact Whitebox if they have any questions about their statements or if their qualified custodians stop sending them at least quarterly statements.

Item 16 – Investment Discretion

Whitebox has the authority to determine, without specific client consent the securities to be bought and sold, the amount of securities to be bought and sold, the broker or dealer to be used in the transaction and the commission rates paid.

In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client. When selecting investments and determining amounts Whitebox observes the investment objective and strategies as described in the relevant Private Offering Memoranda, Prospectus or investment management agreements.

In some cases additional policies may be set by a client's board or investment committee. Adviser is generally authorized to make the following determinations, consistent with the client's goals and policies, without client consultation or consent before a transaction is effected:

- Which securities or other investments to buy or sell;
- The total amount of securities or other investments to buy or sell;
- The broker or dealer through whom securities are bought or sold;
- The commission rates at which securities or other investment transactions for client accounts are effected; and
- The price at which securities or other investments are to be bought or sold, which may include dealer spreads or mark-ups and transactions costs.



Whitebox may act as investment manager to other clients (including funds) now or in the future and each account's investment restrictions and guidelines may differ. All investment decisions for an account are made in accordance with the investment restrictions and guidelines of that account. Investment decisions for each account are made with a view to achieving the account's investment objectives and after consideration of such factors as the account's current holdings, the current investment views of the portfolio manager, availability of cash for investment, and the size of the account's positions generally.

Item 17 – Voting Client Securities

Whitebox receives proxies from time to time with respect to investments in companies by the client accounts. In voting proxies, Whitebox is guided by general fiduciary principals. Whitebox's goal is to act prudently, solely in the best interest of its clients. Whitebox votes proxies in the manner that it believes is consistent with efforts to achieve a Fund's or managed account's stated objectives, including maximizing the value of the client portfolio. Whitebox follows procedures that are designed to identify conflicts or potential conflicts that could arise between its own interests and those of the client accounts. If it is determined that any such conflict or potential conflict is not material, Whitebox may vote proxies notwithstanding the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, the Chief Compliance Officer will work with appropriate personnel to agree upon a method to resolve such conflict before voting proxies affected by the conflict.

Whitebox has partnered with a third party to vote all proxies or other beneficial interest in an equity security based on Glass Lewis recommendations. Whitebox supports these voting recommendations which are what it believes are to be in the best long-term economic interest of its advisory clients and their beneficiaries, considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote.

Investors may obtain a copy of Whitebox's proxy voting policy or a record of Whitebox's proxy votes with respect to their account free of charge by calling (612) 253-6001 or by writing to us at 3033 Excelsior Boulevard, Suite 300, Minneapolis, Minnesota 55416 or by sending an email to: invrelations@whiteboxadvisors.com.

Item 18 – Financial Information

In certain circumstances, registered investment advisers are required to provide financial information or disclosures about their financial condition in this Item 18. Whitebox has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.