

**Proxima Capital Management, LLC**

**March 31, 2011**

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**This Brochure provides information about the qualifications and business practices of Proxima Capital Management, LLC (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this Brochure, please contact (212) 897-5711. This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

Registration as an investment adviser with the SEC or with any state securities authority does not imply that the Adviser or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or in any other business.

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#### **Item 4. Advisory Business**

The Adviser, a New York limited liability company, is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser in 2004 and has been registered with the SEC since 2007. Youlia Miteva is the principal owner of the Adviser.

The Adviser provides discretionary investment advisory services to Proxima Capital, LP, Proxima Capital Offshore, Ltd. and Proxima Capital Master Fund, Ltd., which are private investment funds intended for sophisticated investors (the “Funds”), and to sophisticated investors through separately managed accounts (the “Accounts”).

The Adviser provides advice to the Funds and the Accounts based on specific investment objectives and strategies. The Adviser does not tailor advisory services to the individual needs of investors in the Funds or the Accounts.

Investors in the Funds and the Accounts may not impose restrictions on investing in certain securities or certain types of securities.

As of March 1<sup>st</sup>, 2011 the Adviser had approximately \$538 million client assets under management, all of which are managed on a discretionary basis.

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#### **Item 5. Fees and Compensation**

The Funds and the Accounts pay the Adviser quarterly management fees in advance at rates ranging from 1.25% to 1.5% per annum of the net assets under management of the respective Fund or Account as of the first day of each quarter (collectively, the “Management Fee”).

In the event an additional contribution is made to a Fund or an Account during a quarter, the Management Fee will be charged as of the date of the additional contribution based on the value of the net assets as of such date and will be prorated for the number of days remaining in the quarter. In the event a withdrawal or redemption is made from a Fund or an Account during a quarter, the Management Fee will be refunded based on the number of days remaining in the quarter. The Adviser receives the Management Fee each quarter by instructing the custodian of the Funds to deduct the Management Fee from their respective accounts. The Adviser sends an invoice for the Management Fee with respect to the Accounts.

The Adviser (or a related person of the Adviser) typically receives an annual performance-based fee or allocation, which is compensation based on a share of capital gains on or capital appreciation of the assets of a client account. This compensation may be paid or allocated to the Adviser (or to a related person of the Adviser) and is typically an amount equal to 20% of the profits allocated to a Fund or Account, subject to a loss carryforward.

The Adviser may offer lower or different Management Fee and performance-based compensation schedules to clients (including investors in the Funds) based on a variety of factors, including, among other things, the nature of investments and length of relationship with the Adviser or its related persons. In addition, the Adviser, its partners and related entities, and their respective partners, directors and employees, may invest in the Funds without being subject to the Management Fee or any performance-based compensation.

In addition to paying the Management Fee and performance-based compensation, clients bear certain other expenses including, to the extent applicable, legal, accounting (including third-party accounting services), audit and other professional fees and expenses, administrator fees and expenses, research expenses (including research-related travel), investment expenses such as commissions, custodial fees, bank service fees and other expenses related to the purchase, sale or transmittal of clients assets. Client

assets may be invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund.

In addition, clients will incur brokerage and other transaction costs. Please refer to Item 12 of this Brochure for a discussion of the Adviser's brokerage practices.

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#### **Item 6. Performance-Based Fees and Side-by-Side Management**

The Adviser and its investment personnel provide investment management services to multiple portfolios for multiple clients. The Adviser (or a related person of the Adviser) is paid performance-based compensation by the Funds and the Accounts. In addition, the Adviser's investment personnel are typically compensated on a basis that includes a performance-based component. Certain clients may be subject to a higher Management Fee than other clients. When the Adviser and its investment personnel manage more than one client account, a potential exists for one client account to be favored over another client account. The Adviser and its investment personnel have a greater incentive to favor clients that pay the Adviser or a related person of the Adviser (and indirectly the portfolio manager) higher fees.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. In allocating securities among its clients, the Adviser generally considers, among other things, (i) a client's investment objective and strategies; (ii) a client's risk profile; (iii) a client's tax status; (iv) any restrictions placed on a client's portfolio by the client or by virtue of federal or state law (such as the Employee Retirement Income Security Act of 1974, as amended ("ERISA")); (v) the size of a client's account; (vi) total portfolio invested position; (vii) nature of the security to be allocated; (viii) size of available position; (ix) supply or demand for a security at a given price level; (x) current market conditions; and (xi) timing of cash flows and account liquidity. Transactions involving fewer than 1,000 shares will be allocated in any manner deemed appropriate by the Adviser under the circumstances. In circumstances where the Adviser aggregates client orders for the purchase or sale of securities, assuming identical investment objectives and structures and absent other compelling circumstances, orders are generally allocated among clients pro rata based on assets under management. In addition, in such circumstances, the client orders are price-averaged. Please refer to Item 12 of this Brochure for a further discussion of the Adviser's practice of aggregating orders for execution for its clients.

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#### **Item 7. Types of Clients**

The Adviser's clients consist of the Funds and the Accounts.

With respect to the Funds, any initial and additional subscription minimums are disclosed in the offering memorandum for the applicable Fund. With respect to the Accounts, the Adviser does not have any standard requirements for opening or maintaining an account and may, in its discretion, require a different investment minimum for any Account.

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

The Adviser seeks to achieve superior absolute returns on a risk-adjusted basis by investing primarily in equity securities and to a lesser extent in a variety of domestic and international securities, including but not limited to debt securities (including high-yield and distressed debt), warrants, rights, options, swaps, preferred stocks, convertible securities, publicly-traded Master Limited Partnerships ("MLPs"), currencies and money market obligations.

The Adviser's strategy focuses on situations, frequently complex in nature, where traditional valuation methods are not appropriate or feasible. The Adviser seeks to identify and take positions in special situation securities that are frequently misunderstood and inefficiently priced by the markets where the Adviser believes that the differences between the fair value and the market price will likely be eliminated over time. The Adviser may take long or short positions in equities or other securities where it believes that the price-to-value gap will close over time based on fundamental changes in the business or the market gaining a better understanding of a complex situation. The Adviser performs fundamental analysis by developing an understanding of the situation and value drivers and performing the requisite field research in order to quantify any mis-pricings.

The Adviser may sell securities short both to protect clients against a declining market and to identify profit opportunities for its clients.

These methods, strategies and investments involve risk of loss to clients, and clients must be prepared to bear the loss of their entire investment.

Material risks (including significant or unusual risks) relating to the Adviser's investment strategies include:

Short Selling Risk. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Distressed Situation Risk. Investment in distressed situations exposes the client to significant risks, including, but not limited to: the difficulty in obtaining information as to the issuer's true condition; regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy; and liquidity risk.

Hedging. There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

Issuer-Specific Changes. Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

Leverage. Performance may be more volatile if a client's account employs leverage.

Interest Rate Risks. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

Lack of Diversification. Client accounts may not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios may be subject to more rapid change in value

than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

Risks (including significant or unusual risks) associated with types of securities primarily recommended by the Adviser include:

Distressed Securities. Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

Derivatives. Swaps, certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or the Adviser. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolio to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

Non-U.S. Securities. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

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### **Item 9. Disciplinary Information**

The Adviser and its management have not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction.

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

Each of the Funds for which the Adviser serves as general partner or investment manager has and may in the future enter into agreements, or “side letters,” with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for such Fund. For example, such terms and conditions may provide for, among other things, special rights to make future investments in the Fund, other investment vehicles or managed accounts; rights to receive reports from the Fund on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Fund and such investors. The modifications are solely at the discretion of the Fund and may, among other things, be based on the size of the investor’s investment in the Fund or affiliated investment entity, an agreement by an investor to maintain such investment in the Fund for a significant period of time, or other similar commitment by an investor to the Fund.

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

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its related persons to put the interests of the Adviser’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting David Travis (Chief Compliance Officer) by email at [dtravis@proximacapital.com](mailto:dtravis@proximacapital.com) or by telephone at (212) 897-5711. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client’s benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

The Adviser does not engage in principal transactions.

The Adviser or its related persons may invest in the same securities (or related securities, such as warrants, options or futures) that the Adviser or a related person recommends to clients. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its related persons are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or

after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Adviser's or its related person's objectivity, these practices by the Adviser or its related persons may also harm clients by adversely affecting the price at which the clients' trades are executed. In an effort to minimize such conflicts, the Adviser requires its related persons to preclear all transactions in their personal accounts with the Adviser's Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. In addition, the Code prohibits the Adviser or its related persons from executing personal securities transactions of any kind, including short sales, in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser's related persons are required to direct their brokers or custodians to provide the Chief Compliance Officer with duplicate copies of securities trade confirmations within 30 days after the related person's transaction and the related person's brokerage statements on a monthly and quarterly basis. Trading in employee accounts will be reviewed by the Chief Compliance Officer and compared with transactions for the client accounts and reviewed against the restricted securities list.

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## **Item 12. Brokerage Practices**

The Adviser receives research or other products or services other than execution from a broker-dealer in connection with client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit its use of "soft dollars" to obtain research and brokerage services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"), in certain circumstances, the Adviser may also use soft dollars to pay certain client expenses. Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

The Adviser's Chief Compliance Officer and managing member must approve all requests for payment with soft dollars before the Adviser may use client commissions to obtain Section 28(e) eligible research and brokerage products and services. The Adviser's Chief Compliance Officer and managing member will meet to determine the capabilities of relevant brokers. A number of criteria are to be considered in selecting brokers to execute trades for clients, including the broker-dealer's business reputation and financial position and its ability to consistently execute orders professionally and on a cost effective basis, provide prompt and accurate execution reports, prepare timely and accurate confirms, deliver securities or cash proceeds promptly and provide meaningful research services that are useful to the Adviser in investment decision-making or other desired and appropriate services. In selecting or recommending broker-dealers, the Adviser may consider whether the Adviser or a related person receives client referrals from a broker-dealer or third party. The Adviser may have an incentive to select or recommend a broker-dealer based on its interests to receive client referrals rather than on the client's interests to receive most favorable execution. To address this conflict of interest, the Adviser will execute client trades through broker-dealers that refer clients to the Adviser only if the managing member of the Adviser determines that client trades with such broker-dealers are otherwise consistent with seeking best execution.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products

and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser in its other investment activities, including for the benefit of other client accounts. The Adviser seeks to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Investment transactions for clients and the use of commissions by the Adviser from them may be outside the safe harbor provided by Section 28(e) and applicable regulatory interpretations. Even when investment transactions for clients are outside the Section 28(e) safe harbor, the commissions paid are used for the acquisition of Section 28(e) types of research and brokerage.

During the Adviser's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser and/or its related persons acquired research reports (including market research); software providing analysis of securities portfolios; and data services (including services providing market data, company financial data and economic data).

The Adviser often purchases or sells the same security for more than one client at or near the same time and using the same executing broker. It may be appropriate for the Adviser to aggregate client orders for the purchase or sale of securities. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. Assuming identical investment objectives and structures and absent other compelling circumstances, orders will be allocated among clients pro rata based on assets under management. Each of the Adviser's clients that participates in an aggregated order will participate at the average share price for all the Adviser's transactions in that security on a given business day and transaction costs will be shared pro rata based on such client's participation in the transaction.

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### **Item 13. Review of Accounts**

Each client account is reviewed by the managing member of the Adviser on a daily basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account.

Each Account receives unaudited reports of the performance of the account monthly. Such reports may be delivered electronically to the client.

Investors in the Funds receive reports from the relevant Fund pursuant to the terms of such Fund's offering memorandum.

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

As described in Item 12, the Adviser receives certain research or other products or services from broker-dealers through "soft-dollar" arrangements. Please see Item 12 for further information on the Adviser's "soft-dollar" practices, including the Adviser's procedures for addressing conflicts of interest that arise from such practices.

The Adviser makes cash payments to third-party solicitors for client referrals pursuant to written agreements with such solicitors. While such agreements have been terminated, the Adviser continues to make cash payments thereunder with respect to clients that have been referred to the Adviser by such solicitors, and such solicitors may continue to solicit business for the Adviser from certain prospective clients for a limited period of time. Cash payments made pursuant to such agreements have been structured to comply fully with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, and related SEC staff interpretations. The Adviser does not expect to enter into additional agreements with third-party solicitors for client referrals in the future.

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#### **Item 15. Custody**

This Item is not applicable.

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#### **Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to clients.

Prior to assuming discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

For the Funds and the Accounts, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account. There may be differences among clients in invested positions and securities held based on, among other things, (i) a client's investment objective and strategies; (ii) a client's risk profile; (iii) a client's tax status; (iv) any restrictions placed on a client's portfolio by the client or by virtue of federal or state law (such as ERISA); (v) size of client account; (vi) total portfolio invested position; (vii) nature of the security to be allocated; (viii) size of available position; (ix) supply or demand for a security at a given price level; (x) current market conditions; and (xi) timing of cash flows and account liquidity. Transactions involving fewer than 1,000 shares will be allocated in any manner deemed appropriate by the Adviser under the circumstances. In circumstances where the Adviser aggregates client orders for the purchase or sale of securities, assuming identical investment objectives and structures and absent other compelling circumstances, orders are generally allocated among clients pro rata based on assets under management.

Allocations will be made among client accounts eligible to participate in initial public offerings ("IPOs") and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client's status as a "restricted person" under applicable regulations.

If it appears that a trade error has occurred, the Adviser will seek to correct the error as soon as practicable and will report the error to the Adviser's Chief Compliance Officer and managing member. When an error is made on behalf of a client account, the Adviser will use its best efforts to break or otherwise correct the trade.

Trades that are misallocated to the wrong account ("trade misallocations") and are discovered prior to the settlement date will be reallocated to the originally intended account at the price of the original trade. If an error (other than a trade misallocation) is discovered on the trade date or thereafter, the trade will be broken, if possible. If the executing broker cannot break the trade, the error will be reported to the Adviser's Chief Compliance Officer and managing member, who will investigate the matter and determine an appropriate resolution, which may include allocating the trade (and its correcting trade) to a client account in certain circumstances. After a complete investigation and evaluation of the circumstances

surrounding a trading error, the Adviser's Chief Compliance Officer and managing member have discretion to resolve the trading error in a manner other than specified in the Adviser's trading error procedures. Any trading error resulting from unique circumstances will be resolved on a case-by-case basis. In either event, an explanatory memorandum discussing the trading error will be prepared and maintained by the Chief Compliance Officer.

Broker-dealers may not be permitted to assume responsibility for trading error losses caused by the Adviser, nor may there be any reciprocal arrangements with respect to the trade in question or any other trade(s) to encourage the broker to assume responsibility for such losses. In cases where the error is attributable to the broker or other third party, the Adviser will maintain adequate records of the trade and its correction together with an indication in such records of the reason for such correction, e.g., "broker error."

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#### **Item 17. Voting Client Securities**

To the extent the Adviser has been delegated proxy voting authority on behalf of the Accounts, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to securities held on behalf of an Account, such proxies are voted in the best interests of the Account. In voting proxies, the Adviser generally votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification in common stock. The Adviser will vote against proposals that make it more difficult to replace members of a board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights and create supermajority voting. For all other proposals, the Adviser will determine whether a proposal is in the best interests of the Account and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

The Accounts are permitted to direct their votes in a particular solicitation. An Account that wishes to direct its vote in a particular solicitation shall give reasonable prior written notice to the Adviser or the third-party proxy agent, as applicable, indicating such intention and provide written instructions directing the Adviser or the third-party proxy agent's vote in regard to the particular solicitation. Where such prior written notice is received, the Adviser or the third-party proxy agent, as applicable, will vote proxies in accordance with such written instructions received from the Account, provided that such instructions are provided to the Adviser or the third-party proxy agent in a timely manner.

If a material conflict of interest between the Adviser and an Account exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Account. The Adviser will also determine whether it is appropriate to disclose the conflict to the affected Accounts and, except in the case of Accounts that are subject to ERISA, give the Accounts the opportunity to vote their proxies themselves. In the case of an Account for an ERISA investor, if the Investment Management Agreement reserves to the ERISA investor the authority to vote proxies when the Adviser determines it has a material conflict that affects its best judgment as an ERISA fiduciary, the Adviser will give the ERISA investor the opportunity to vote the proxies itself. Absent the ERISA investor reserving voting rights, the Adviser will vote the proxies solely in accordance with its voting guidelines.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting David Travis (Chief Compliance Officer) by email at [dtravis@proximacapital.com](mailto:dtravis@proximacapital.com) or by telephone at (212) 897-5711.

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#### **Item 18. Financial Information**

This item is not applicable

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