

## DISCLOSURE BROCHURE

---

# BlackGold Capital Management, LP

---

109 North Post Oak Lane, Suite 435  
Houston, TX 77024  
713-400-6802

[www.blackgoldcap.com](http://www.blackgoldcap.com)

March 2012

This brochure provides information about the qualifications and business practices of BlackGold Capital Management, LP. If you have any questions about the contents of this brochure, please contact us at 713-400-6800. 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.

Additional information about BlackGold Capital Management, LP is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2-Material Changes**

BlackGold Capital Management, LP is an existing registrant. The last annual update of our brochure was March 31, 2011. There have been no material changes since our last annual brochure update.

## Item 3-Table of Contents

|  |    |
|--|----|
| Item 2-Material Changes .....  | 2  |
| Item 3-Table of Contents .....   | 3  |
| Item 4-Advisory Business .....   | 4  |
| Item 5-Fees and Compensation.....  | 4  |
| Item 6-Performance Based Fees and Side-By-Side Management.....                                     | 4  |
| Item 7-Types of Clients .....  | 5  |
| Item 8-Methods of Analysis, Investment Strategies and Risk of Loss .....                           | 5  |
| Our Investment Strategies .....  | 5  |
| Risk.....  | 6  |
| Item 9-Disciplinary Information .....  | 14 |
| Item 10-Other Financial Industry Activities and Affiliations .....                                 | 14 |
| Item 11-Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..... | 14 |
| Code of Ethics.....  | 15 |
| Misuse of Nonpublic Information .....  | 15 |
| Participation or Interest in Client Transactions.....  | 15 |
| Personal Securities Trading .....  | 15 |
| Outside Business Activities .....  | 15 |
| Item 12-Brokerage Practices.....   | 15 |
| In General.....  | 15 |
| Research and Soft Dollar Benefits .....  | 16 |
| Directed Brokerage .....   | 16 |
| Order Aggregation.....   | 17 |
| Item 13-Review of Accounts .....   | 17 |
| Item 14-Client Referrals and Other Compensation .....  | 17 |
| Item 15-Custody .....  | 17 |
| Item 16-Investment Discretion .....  | 18 |
| Item 17-Voting Client Securities.....  | 18 |
| Item 18-Financial Information .....  | 18 |

## **Item 4-Advisory Business**

BlackGold Capital Management, LP (the “Adviser”) was founded in April 2006. The Adviser’s general partner is BlackGold Capital Advisors, LLC, a Texas limited liability company controlled by Erik Dybesland and Adam Flikerski (the “Principals”). The Adviser provides investment management services to BlackGold Opportunity Fund, LP, BlackGold Capital Partners (QP) LP, both pooled investment vehicles (collectively referred to herein as the “Funds”). The Adviser also provides investment management services for separately managed accounts (together with the Funds, the “Clients”).

The Adviser expects that a significant portion of the Clients’ investments will focus on the natural resources and energy-related industries (including exploration and production, oilfield services, refining and marketing, pipelines/midstream, utilities, shipping, chemicals, metals, mining, general industrials, alternative energy and coal). By concentrating its assets in a single industry, the Adviser’s investment advice provided to the Funds is limited to those types of investments.

In certain situations, the Adviser has tailored its advisory services to the individual needs of the holders of separately managed accounts. The Adviser may vary its services with respect to restriction requests or individual needs in its sole discretion. As of December 31, 2011, the Adviser has \$185 million of discretionary assets under management.

## **Item 5-Fees and Compensation**

For its services, the Adviser is entitled to receive a management fee (the “Management Fee”) at an annual rate of one and a half percent (1.5%) of the capital account balance of each Client account. The Management Fee is calculated and payable monthly in advance. The Adviser may vary, reduce or eliminate the Management Fee with respect to any Client in its sole discretion.

The Adviser deducts the applicable fees and compensation from the Funds. Account holders of separately managed accounts are billed for applicable fees and compensation, and the account holders remit funds to the Adviser.

In general, Clients bear all costs and expenses directly related to the Adviser’s investment program, including brokerage and transaction costs.

For a more complete discussion of fees and compensation, please refer to the Funds’ private placement memoranda or the investment management agreement, in the case of separately managed accounts. Additional information regarding brokerage and transaction costs can also be found in this brochure at Item 12-Brokerage Practices.

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

The Adviser charges Clients a 15% performance based fee (the “Performance Allocation”), subject to a high water mark, i.e. fifteen percent (15%) of each Client’s net profits for the applicable period are paid to the Adviser so long as the Client is above its

highest net asset value previously seen at the end of the last full or partial fiscal year on which the Advisor charged said Client a performance fee.

This Performance Allocation is generally calculated and charged to each Client at the end of each fiscal year, or earlier if a Client makes a transfer of its account interest or a full or partial withdrawal of its account interest.

The use of performance-based compensation may create an incentive for the Adviser to recommend an investment that may carry a higher degree of risk to Clients, and to favor Clients which have a greater performance-based fee. The Adviser may vary, reduce or eliminate the performance fee with respect to any Client in its sole discretion.

For a more complete discussion of the fees and compensation, please refer to the Funds' private placement memoranda or the investment management agreement, in the case of a separately managed account.

## **Item 7-Types of Clients**

The Adviser provides investment management services for two privately pooled investment vehicles, BlackGold Opportunity Fund, LP, BlackGold Capital Partners (QP) LP, and separately managed accounts. The Adviser's separate account clients include individuals, trusts, and foundations.

The minimum amount required to open or maintain an account in BlackGold Opportunity Fund, LP is \$100,000 although lesser amounts may be accepted in the sole discretion of the Adviser. The minimum amount required to open or maintain an account in BlackGold Capital Partners (QP) LP is \$1,000,000 although lesser amounts may be accepted in the sole discretion of the Adviser.

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

### **Our Investment Strategies**

The Adviser's investment strategy focuses on debt and equity securities. The Adviser utilizes a range of investment strategies, including investing in publicly-traded equity securities, both long and short, as well as a broad array of other securities in both private and public markets, both domestic or international. The Adviser expects that a significant portion of Client investments will focus on the natural resources and energy-related industries (including exploration and production, oilfield services, refining and marketing, pipelines/midstream, utilities, shipping, chemicals, metals, mining, general industrials, alternative energy and coal).

The Adviser's strategy blends investment and trading styles. Using a bottom-up, fundamental approach to stock and credit selection, the Adviser's investment strategy is predicated on a research process, which is driven by the Adviser's understanding of a

company's business, its products, its relation to peers, customers and suppliers, and its management team. The Adviser may rely on any and all of the following information sources: meetings or discussions with company management, contacts with customers, suppliers or competitors, personal industry relationships and contacts, attending industry conferences or tradeshows, analysis of regulatory filings and where available, reviewing brokerage industry research reports. Using a top-down, macro approach to stock and credit selection, the Adviser tracks supply/demand fundamentals on a company's underlying commodity, as well as annualized growth trends within a particular sector (thematic approach). The Adviser believes that the natural resources sector lends itself particularly well to a long/short investment approach. Technology improvements, geo-political events, weather, commodity inventories and capital access influence sub-sectors of the industry and individual companies.

The investment strategies utilized on behalf of Clients may vary with regard to certain criteria and investor suitability. For a more complete discussion of these differences please refer to Funds' private placement memoranda or the investment management agreement, in the case of separately managed accounts.

## **Risk**

The Adviser manages and expects to continue to manage multiple client accounts, some of which have similar objectives, including collective investment vehicles which may be managed by the Adviser or any of their affiliates and in which the Adviser or any of their affiliates may have an equity interest.

The Adviser will act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities to Clients but does not otherwise impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to the Clients or any restrictions on the nature or timing of investments for the account of the Clients and for the Adviser's own account or for other accounts that the Adviser or its affiliates may manage. The Adviser is not obligated to devote any specific amount of time to the affairs of the Clients and is not required to accord exclusivity or priority to the Clients in the event of limited investment opportunities arising from the application of speculative position limits or other factors.

When the Adviser determines that it would be appropriate for the Clients, the Adviser will seek to execute orders for all of the participating investment accounts on an equitable basis. If the Adviser has determined to invest at the same time for more than one Client account, the Adviser will generally place combined orders for all such accounts simultaneously and if all such orders are not filled at the same price, it will generally average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, the Adviser will allocate the trade among the different accounts on a basis that it considers equitable. Situations may occur where Clients could be disadvantaged because of the investment activities conducted by the Adviser on one or more individual Clients.

All investments risk the loss of capital. No guarantee or representation is made that the Adviser's programs will be successful, and investment results may vary substantially over time. The Adviser's investment programs will utilize investment techniques such as options, futures, derivatives, margin transactions and short sales, which practices can, in certain circumstances, maximize the adverse impact to which the Clients may be subject. Prospective clients should give careful consideration to the following factors in evaluating the merits and suitability of the Adviser's services:

The Adviser has been in operation since April 2006 and has limited operating histories upon which prospective clients can evaluate the likely performance of the Adviser. The profitability of a significant portion of the Adviser's investment programs depends to a great extent upon correctly assessing the future course of the price movements of commodities, securities and other investments. There can be no assurance that the Adviser will be able to accurately predict these price movements. With respect to the investment strategy utilized by the Adviser, there is always some, and occasionally a significant, degree of market risk.

All decisions regarding investments management are made by the Adviser. Clients have no opportunity to select or evaluate any of the investments or strategies. The Clients' success depends on the skill and acumen of Erik Dybesland and Adam Flikerski. If Mr. Dybesland and Mr. Flikerski should cease to participate in the Adviser's activities, the Adviser's ability to select investments and manage its portfolios could be materially and adversely affected.

The investments made by the Adviser on behalf of Clients may be very illiquid, and consequently the Adviser may not be able to sell such investments at prices that reflect the Adviser's assessment of their value or the amount paid for such investments by the Clients. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the Adviser and other factors. Furthermore, the nature of Client investments, especially those in financially distressed companies, may require a long holding period prior to profitability. The Funds' limited partnership agreements (the "Partnership Agreements") authorize the Adviser to make distributions in kind of securities in lieu of or in addition to cash. In the event the Adviser makes distributions of securities in kind, such securities could be illiquid or subject to legal, contractual and other restrictions on transfer.

Commodity interest contract prices are highly volatile. Price movements for commodity interest contracts are influenced by, among other things, changing supply and demand relationships, weather, agricultural, trade, fiscal, monetary, and exchange control programs and policies of governments, domestic and foreign political and economic events, changes in domestic and foreign interest rates and rates of inflation, currency devaluations and revaluations, and emotions of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention is often intended to influence prices directly. Clients are also subject to the risk of the failure of any of the exchanges on which it trades or their clearinghouses. None of these factors can be controlled by the Adviser and no assurance can be given

that the Adviser's advice will result in profitable trades for the Clients or that they will not incur substantial losses.

The Adviser may execute on behalf of Clients significant investments in the energy markets, through investments in derivative instruments, physical commodities, or other investments. Energy markets may be subject to short-term volatility due to a variety of factors, including weather, international political and economic developments, break downs in the facilities for the production, storage or transport of energy and energy-related products, acts of terrorism, changes in government regulation, and sudden changes in fuel prices. Clients may be affected to a greater extent by any of these developments than would be the case with a more diversified portfolio of investments.

The Adviser has broad discretion over Client's investment programs and may choose to allocate substantial portions of Client assets to a particular investment. Such an occurrence may tend to result in more rapid changes in Clients' accounts, upward or downward, than would be the case with greater diversification, with the result that a loss in any such position could have a material adverse impact on the Clients' capital. The Adviser may also make similar market timing decisions and asset allocation decisions regarding the investments or some combination of other strategies.

The Adviser may trade on behalf of Clients directly in physical commodities, including electricity, natural gas, coal and crude and refined oil products contracts that may require the delivery of each of the foregoing. Since the Adviser and Clients will not engage in the production of natural gas, electricity or other energy-related commodities, the Adviser will be required to purchase natural gas, electricity and other commodities from third parties in order to fulfill its obligations under such contracts. Clients may be liable to third parties for damages if they or the Adviser are unable to fulfill its obligations to deliver natural gas, electricity or other commodities for any reason, including transportation or transmission failures or default by a third party supplier.

The Adviser may effect short sales on behalf of Clients. Short selling is the practice of selling investments which are not owned by the seller, generally when the seller anticipates a decline in the price of the investments or for hedging purposes. To complete a short sale, the seller must borrow the investments from a third party in order to make delivery to the buyer. The seller generally will be required to pay a brokerage commission or interest which will increase the cost to the seller of selling such investments. The proceeds of the short sale plus additional cash or investments must be deposited as collateral with the lender of the investments to the extent necessary to meet margin requirements; the amount of the required deposit will be adjusted periodically to reflect any change in the market price of the investments which the seller is required to return to the lender. The seller generally will be entitled to receive payments from the lender with respect to the short sale proceeds and additional cash on deposit with the lender, at negotiated rates typically based on the lender's short-term borrowing costs. The seller will be obligated to return the investments equivalent to those borrowed at any time on

demand of the lender of the investments borrowed by purchasing them at the market price at the time of replacement. Until the investments are replaced, the seller will be required to pay to the lender amounts equal to any dividends or interest which accrue during the period of the loan of the investments.

The Adviser may take long and short positions in futures on behalf of Clients during the normal course of business. Futures have specific delivery periods and commitments that require the counterparties to make or take physical delivery of a commodity at a designated location if the contracts are held through the expiry period. The Adviser intends to unwind (flatten out) the positions prior to final contract expiry. To the extent that it is unable to do so, Clients may incur significant costs to offset the obligations that physical delivery presents. The Adviser does not intend to have Client accounts regularly take physical delivery of futures.

The Adviser may trade on margin, engage in other forms of borrowing to finance its operations and use other forms of financial leverage. The level of interest rates and the rates at which the clients can borrow will affect the operating results of the investments. Fluctuations in the market value of the portfolio of a heavily leveraged fund can have a disproportionately large effect in relation to the capital of that portfolio. Any event which may adversely affect the value of positions held by the Clients could significantly affect the net asset value of the Client accounts. The Adviser may also borrow funds from time to time as the Adviser deems appropriate.

Derivative instruments, or “derivatives,” include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Clients to the possibility of losses exceeding the original amount invested. Derivatives may also expose Clients to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom the Client contracts for the purpose of making derivative investments (the “Counterparty”). In the event of the Counterparty’s default, the Clients will only rank as unsecured creditors and risk the loss of all or a portion of the amounts they are contractually entitled to receive.

The Adviser may purchase exchange-listed and over-the-counter (“OTC”) put and call options on specific investments on behalf of Clients. In addition, the Adviser may write and sell covered or uncovered call and put option contracts. A call option gives the

purchaser of the option the right to buy, and obligates the writer to sell, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Options written by the Adviser may be wholly or partially covered (meaning that the clients hold an offsetting position) or uncovered. Options on specific investments may be used by the Adviser to seek enhanced profits with respect to a particular security. Alternatively, they may be used for various defensive or hedging purposes. For example, they may be used to protect against a future adverse change in the market price of particular portfolio investments held by the clients without requiring a sale of the investments.

Use of put and call options may result in losses to the Clients, force the sale or purchase of portfolio investments at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values or limit the amount of appreciation the Clients can realize on its investments. For example, a decline in the market price of a particular investment could result in a complete loss of the amount expended by the Client to purchase a call option (equal to the premium paid for the option and any associated transaction charges). An adverse price movement may result in unanticipated losses with respect to covered options sold by the Client. The use of uncovered option writing techniques may entail greater risks of potential loss to the Clients than other forms of options transactions. For example, a rise in the market price of the underlying investment will result in the Clients realizing a loss on the calls written, which would not be offset by the increase in the value of the underlying investments to the extent the call option position was uncovered.

Investments in foreign securities or commodities involve certain factors not typically associated with investing in U.S. securities or commodities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the Funds and managed accounts are maintained) and the various foreign currencies in which the clients' portfolio securities or commodities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities or commodities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition of foreign income, withholding or other taxes and (v) the extension of credit, especially in the case of sovereign debt.

Subject to applicable margin and other limitations, the Adviser may on behalf of Clients borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the Clients' portfolios would be amplified. Interest on borrowings will be a portfolio expense of the Client and will affect the operating results of the Client accounts. Also, the Adviser could potentially create leverage via the use of instruments such as options and other derivative instruments.

Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (*i.e.*, the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (*i.e.*, sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value.

The Adviser may on behalf of Clients trade on a limited basis in commodities and futures. Such trading activity is regulated by the Commodity Futures Trading Commission (the "CFTC"). Pursuant to an exemption from registration under CFTC regulations, the Clients and the Adviser are not required to register, and are not registered, with the CFTC or the National Futures Association ("NFA") as Commodity Pool Operators (a "CPO") or as Commodity Trading Advisors ("CTA"). To comply with the exemption, the Clients and the Adviser are subject to specific limitations on the amount of commodities and futures that they can trade. Should the investments in commodities or futures instruments exceed the limits provided by the applicable exemption from registration, the Clients and the Adviser will either have to register with the NFA or cease its commodity advice and liquidate the Funds' holdings of commodities and futures which could result in losses and additional costs to the Clients.

The Funds do not intend to register as such under the Investment Company Act of 1940, as amended (the "1940 Act") (in reliance upon an exemption available to privately offered investment funds), and, accordingly, the provisions of the 1940 Act (which, among other matters, require investment companies to have disinterested directors, require securities held in custody to at all times be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and regulate the relationship between the adviser and the investment company) will not be applicable.

The Adviser may trade on behalf of Clients on exchanges located outside the United States, where the protections provided by U. S. regulations do not apply. Some foreign commodity exchanges, for example, in contrast to domestic exchanges, are "principals' markets" in which performance with respect to a commodity interest contract is the responsibility only of the individual member with whom the trader has entered into the contract and not of the exchange or its clearinghouse, if any. In the case of trading on foreign exchanges, the Clients will be subject to the risk of the inability of or refusal by its counterparties to perform with respect to their contracts. The Adviser also may not have the same access to certain trades as do various other participants in foreign markets.

The Adviser may, but is not required to, utilize on behalf of Clients various other instruments to seek to hedge against the risk of changes in the level of prices of broad market averages or indices, as well as narrower indices or baskets of investments. These hedging strategies may be executed through the use of exchange-traded equity index options or futures contracts or options thereon, standardized or individually negotiated over-the-counter contracts or other forms of derivative contracts (collectively, "Index Contracts").

Index contracts have risks associated with them including possible default by the other party to the transaction, illiquidity and, to the extent the Adviser's view as to certain market movements is incorrect, the risk that the use of such index contracts could result in losses greater than if they had not been used. Moreover, the lack of complete correlation between price movements of index contracts and price movements in the portfolio position of the Clients create the possibility that losses in the value of the Clients' positions may be greater than the gain on the hedging instrument (or that a gain in the Clients' portfolio positions may be less than the loss on the hedging instrument). In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter index contracts may have no markets. As a result, in certain markets, the Adviser might not be able to close out a transaction without incurring substantial losses, if at all. Although the successful use of index contracts for hedging should tend to reduce the risk of loss due to a decline in the value of the hedged position, at the same time such transactions would tend to limit any potential gain which might result from an increase in value of such position.

Substantially all decisions with respect to the management of the Clients' investments are made exclusively by the Adviser. Clients have no right or power to take part in the management of the Funds or separate accounts. The Adviser also makes all of the trading and investment decisions for the Clients. In the event of the withdrawal or bankruptcy of the Adviser, generally the investments will be liquidated.

The performance allocation made to the Adviser may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such performance allocation.

There are severe restrictions on withdrawals from the Funds (which may be settled in securities rather than cash) and on transfers of limited partner interests in the Funds. The prior written consent of the Adviser is required for a transfer of the limited partner interest of any limited partner. Because of the restrictions on withdrawals and transfers, an investment in the Funds is a relatively illiquid investment and involves a high degree of risk. A subscription for limited partner interests in the Funds should be considered only by persons financially able to maintain their investment and who can accept a loss of all of their investment.

Since the Adviser does not generally intend to pay distributions, an investment in the Funds or in a managed account is not suitable for Clients seeking current distributions of

income. Moreover, a Client is required to report and pay taxes on his allocable share of income from the investment, even though no cash is distributed by the Adviser.

Legal, tax and regulatory changes could occur that may adversely affect the Clients. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Clients and the ability of the Adviser to obtain the leverage it might otherwise obtain or to pursue its trading strategies. In addition, the futures and commodities markets are subject to comprehensive statutes, regulations and margin requirements. The Commodities Future Trading Commission, the Securities and Exchange Commission, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Clients could be substantial and adverse.

The Funds do not contemplate the use of a bank custodian to hold its assets. Thus, the Funds plan to leave their assets in the possession of their brokers and banks, which include BNP Paribas Prime Brokerage, Inc., Jeffries & Company, Inc., Fidelity Brokerage Services, LLC., and Bank of New York Mellon Corporation, or another prime broker. Rule 15c3-3 under the Securities Exchange Act of 1934, as amended, requires a broker-dealer ("BD") to segregate a customer's commodity interests. If the BD fails to do so, the Clients may be subject to a risk of loss of the assets held by the BD in the event of the BD's bankruptcy. In the event of a failure of a BD used by the Adviser, the United States Securities Investor Protection Corporation ("SIPC") provides a maximum of \$500,000 of account insurance, only \$100,000 of which may be taken in cash. Since the Funds' assets on deposit will exceed these amounts, the Funds may receive only a pro rata share of the remaining assets deposited with the failed BD.

The Funds will incur obligations to pay brokerage commissions, option premiums, "bid-ask" spreads, and other transaction costs to its brokers, and the Funds will incur obligations to pay a Management Fee along with a Performance Allocation to the Adviser and to pay the Funds' operating, legal, accounting, and auditing fees, including the costs of the offering of interests in the Funds. The foregoing expenses are payable by the Funds regardless of whether the Funds realize any profits. The Funds' allocations to the Adviser may result in higher payments than alternative compensatory arrangements to other portfolio managers in the industry. As the Securities and Exchange Commission noted in its Institutional Investor Study Report (1971): "In most instances the compensation arrangements provided by unregistered hedge funds are far more favorable to the investment manager per dollar of assets managed than the compensation provided for similar services by registered investment companies or other classes of accounts."

From time to time, certain situations affecting the valuation of the Clients' investments (such as limited liquidity, unavailability or unreliability of third-party pricing information and acts or omissions of service providers) could have an impact on the net

asset value of the Funds or managed accounts, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed. The Adviser is not required to make retroactive adjustments to prior subscription or redemption transactions, Management Fees or Performance Allocations based on subsequent valuation data.

The Adviser may take positions with respect to certain tax issues which depend on legal conclusions not yet resolved by the courts. Should any such positions be successfully challenged by the Internal Revenue Service, a Client might be found to have a different tax liability for that year than that reported on his or its federal income tax return.

An audit of the Adviser or Funds may result in an audit of the returns of some or all of the Clients, which examination could result in adjustments to the tax consequences initially reported by the Adviser or Clients and affect items not related to a Client's investment in the Funds or managed accounts. If such adjustments result in an increase in a Client's federal income tax liability for any year, such Client may also be liable for interest and penalties with respect to the amount of underpayment. The legal and accounting costs incurred in connection with any audit of the Fund's tax returns will be borne by the Clients in those Funds. The cost of any audit of a separately managed account Client or investor's tax return will be borne solely by that Client or investor.

For a more complete discussion of risks, please refer to the Funds' private placement memoranda or the investment management agreement, in the case of a separately managed account.

### **Item 9-Disciplinary Information**

There are no disciplinary disclosures to report.

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

The Adviser has no other financial industry activities or affiliations that are required to be disclosed.

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

The Adviser has a fiduciary responsibility to treat Clients fairly and avoid actual or potential conflicts of interest. The employees of the Adviser have an obligation to act solely in the best interests of Clients, and to make full and fair disclosure of all material facts, particularly where the Clients' interests may conflict with the interests of the Adviser or its employees.

## Code of Ethics

BlackGold Capital Management, LP has adopted a Code of Ethics which describes the general standards of conduct that the Adviser expects of all employees and focuses on three specific areas where employee conduct has the potential to adversely affect the Clients: misuse of confidential information, personal securities trading and outside business activities. Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination of an employee by the Adviser. Any Client or prospective Client may request a copy of the Adviser's Code of Ethics.

## Misuse of Nonpublic Information

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Adviser. Employees may not convey nonpublic information nor depend upon it in placing personal securities trades.

## Participation or Interest in Client Transactions

The Adviser, as well as the employees and officers thereof, may buy and sell securities or commodities for their own account or the account of others, but may not buy securities or commodities from or sell securities or commodities to the Funds or managed accounts.

## Personal Securities Trading

The Adviser has adopted personal trading policies and procedures to prevent conflicts of interest with its Clients. The Adviser maintains a restricted list of securities that the Adviser and its employees may not trade in order to avoid the misuse of material non-public information or confidential Client information. The Adviser's Chief Compliance Officer, Adam Flikerski, periodically reviews the personal accounts of the Adviser's employees for compliance with these policies and procedures. Also, the Adviser's principals have invested in the Funds to align their interest with their Clients.

## Outside Business Activities

The Adviser's Chief Compliance Officer must pre-approve all outside activities conducted by an Adviser employee. If any activities are deemed to be in conflict with the Adviser's Clients, such conflicts will be fully disclosed.

## Item 12-Brokerage Practices

### In General

The Adviser will seek to obtain the best execution for its Clients by taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the

Funds' risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the Clients' other selection criteria. The Adviser reviews execution prices at least annually to assure best execution for its Clients. For Client's of separately managed accounts, best execution may not be achievable as brokerage is often directed by the holders of said accounts.

### Research and Soft Dollar Benefits

The Adviser is authorized by the Funds to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with such investment and research information or to pay higher commissions to such firms if the Adviser determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. The Adviser is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by the Adviser, and the Adviser's fee is not reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker-dealers used by the Clients may be utilized by the Adviser or its affiliates in connection with its investment services for other accounts and, likewise, research services provided by broker-dealers used for transactions of other accounts may be utilized by the Adviser in performing its services for the Clients. Since commission rates in the United States are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

The Adviser has determined to stay within the so-called 28(e) safe harbor for soft dollars. However, the availability of these benefits may influence the Adviser to select one broker rather than another to perform services for the Funds. Nevertheless, the Adviser will attempt to assure either that the fees and costs for services provided to the Funds by brokers offering these benefits are not materially greater than they would be if the services were performed by equally capable brokers not offering such services or that the Funds also will benefit from the services.

Soft dollar arrangements are generally not available to the Adviser in connection with separately managed account Clients. To the extent they are, the disclosures above are equally applicable to those Clients.

### Directed Brokerage

While the Adviser designates the custodian and executing broker for the Funds, subject to best execution requirements and reviews, Clients of separately managed accounts

generally determine the entity as to both custodian and executing broker. However, the Adviser may offer such Clients guidance on what it expects to be the most cost effective configuration for them. In the event that the Client of a separately managed account chooses otherwise, directed brokerage may result in higher trade expenses and conflict with the Adviser's ability to obtain best execution.

### **Order Aggregation**

When the Adviser determines that it would be appropriate for the Clients and one or more other investment accounts to participate in an investment opportunity, the Adviser will seek to execute orders for all of the participating investment accounts on an equitable basis. If the Adviser has determined to invest at the same time for more than one of the investment accounts, the Adviser will generally place combined orders for all such accounts simultaneously and if all such orders are not filled at the same price, it will generally average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, the Adviser will allocate the trade among the different accounts on a basis that it considers equitable. Situations may occur where the Funds or accounts could be disadvantaged because of the investment activities conducted by the Adviser for other investment accounts.

### **Item 13-Review of Accounts**

The Adviser's Principals conduct daily account reconciliations to verify trade activity and cash balances for its Clients' portfolios.

The Adviser furnishes to its Clients annual reports containing financial statements examined by the Adviser's independent auditors as well as such tax information as is necessary for each Client to complete federal and state income tax or information returns, along with any other tax information required by law. The Adviser also furnishes quarterly reports reviewing the Funds' performance for such quarter. For separately managed accounts, the Adviser provides account holders regular reports produced by the account holders' broker, and also furnishes quarterly reports reviewing the account holder's performance for such quarter. Separately managed account Clients are encouraged to reconcile broker and Adviser reports.

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

The Adviser may utilize third-party placement agents in connection with the sale of interests in certain Funds to underlying investors and compensates such third-party placement agents for their services.

### **Item 15-Custody**

Custody is defined as having access to Clients' securities or funds. The Adviser is considered to have custody of Client assets, though these assets are held by an outside custodian.

The Adviser manages this risk by:

- engaging third party service providers to administer and serve in financial roles on behalf of the Adviser and the Fund,
- engaging a PCAOB registered and inspected accounting firm to audit the Funds' financial statements annually, and
- sending each Client a copy of the audited financial statements each year within 120 days of the Funds' fiscal year end.

### **Item 16-Investment Discretion**

The Adviser has sole discretion regarding which assets are to be bought or sold for its Clients, the size amount of each asset to be bought or sold and the price of each. Trading authority and the authority to deduct fees and performance allocations from the accounts are both granted in the Clients' agreement documents.

### **Item 17-Voting Client Securities**

It is the policy of the Adviser to vote all proxies with respect to proposals submitted for approval by shareholders of companies whose shares are held in Client portfolios and to do so in the best interest of that Client.

### **Item 18-Financial Information**

There is no financial condition that is reasonably likely to impair Adviser's ability to continue to meet its contractual commitments and provide services to its Clients.