
Karya Capital Management LP

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October 5, 2012

This Brochure provides information about the qualifications and business practices of Karya Capital Management LP (“Karya”). If you have any questions about the contents of this Brochure, please contact us at (212) 201-1970. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Karya is an investment adviser registered with the SEC. Registration with the SEC does not imply any level of skill or training.

Additional information about Karya is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

Karya is a newly registered investment adviser, and this is Karya's initial narrative Brochure prepared in accordance with the new Part 2A of Form ADV. There are no material changes to report in this initial Item 2.

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ITEM 4 – ADVISORY BUSINESS

Karya provides discretionary investment management services regarding securities and other financial instruments to U.S. and non-U.S. institutional clients (collectively, “Clients”), including private investment funds managed by Karya (“Funds”) and separately managed accounts (“Separate Account Clients”).

Karya invests directly on behalf of Clients in fixed income securities and related derivatives based on relative value analyses and a focus on G-7 currency countries. Karya also seeks to maintain exposure to equities, sovereign debt, certain currencies and commodities entirely through the use of futures and option contracts. Karya is responsible for all of the investment and trading activities of its Clients. The investment objectives, strategies, fees and risks of each Fund and other material information, are set forth more fully in each Fund’s confidential offering document (“Memorandum”), which is available to current investors and qualified prospective investors with whom Karya has a pre-existing substantive relationship.

Karya, a Delaware limited partnership formed in 2011, is owned directly and indirectly by Rajiv Sobti. Rajiv Sobti is also the Chief Investment Officer.

Karya had approximately \$112,996,860 of regulatory assets under management on a discretionary basis at September 1, 2012. Karya does not manage assets on a non-discretionary basis.

Karya provides advisory services to its Clients based on their respective investment objectives and guidelines. The investment objectives and guidelines for each Fund are determined at the inception of the Fund and set forth in its Memorandum.

ITEM 5 – FEES AND COMPENSATION

In connection with Karya’s management of Fund assets, it generally receives a management fee of 2.0% per annum of assets under management. The management fee is calculated and paid monthly in arrears based on the net asset value of a Fund on the last day of the month. Fees may be reduced or waived in certain circumstances or with respect to certain investors (e.g., principals and employees of Karya). Investors redeeming intra-month will be charged management fees only for the portion of the month that they were invested in a Fund.

An affiliate of Karya, Karya Managing Member LLC (“Karya MM”) receives performance-based compensation of 20% of the increase in net asset value of a Fund investor’s account above a “high water mark” (i.e., the previous highest net asset value at which performance-based compensation was paid). Performance-based compensation generally is charged in arrears at year-end and upon an intra-year redemption by an investor in a Fund. Karya MM’s performance-based compensation is calculated taking into account both realized and unrealized

gains. Losses must be recouped before Karya MM will be entitled to performance-based compensation.

Fees for Separate Account Clients, all of which meet the definition of “qualified purchaser” in Section 2(a)(51) of the Investment Company Act of 1940, as amended, are negotiated on a case-by-case basis between Karya and the Separate Account Client.

Fund Clients generally may terminate Karya’s advisory services at any time without penalty upon thirty days’ prior written notice. Upon termination of any Client account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

Funds are also responsible for ongoing expenses, including, without limitation, (i) investment related expenses, including, but not limited to, brokerage commissions and other charges and interest expense, (ii) third party legal, bookkeeping, accounting, auditing, record keeping, administration, corporate secretarial, and clerical expenses, (iii) printing, duplication, telephone and mailing expenses, (iv) the cost of maintaining a Fund’s corporate existence and expenses, filing fees and government fees, (v) expenses related to investor communication and support, (vi) expenses of the continuing offering of by the Funds, and (vii) the costs of any corporate liability insurance.

Item 12 describes the factors that Karya considers in selecting broker-dealers for Client transactions and determining the reasonableness of their compensation.

Redemptions by investors in a Fund are governed by the terms set forth in the Memorandum of each Fund.

Investment management agreements with Separate Account Clients are terminable following a notice period generally of no more than 5 days, as negotiated between Karya and the Separate Account Client.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Karya MM may receive performance-based compensation of 20% of the increase in net asset value of a Fund investor’s account above a “high water mark” (i.e., the previous highest net asset value at which performance-based compensation was paid). Performance-based compensation will be in conformity with Rule 205-3 under the Investment Advisers Act of 1940. Please see Item 5 for more information.

Performance-based fee arrangements could under certain circumstances create an incentive for Karya to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Karya may receive performance-based compensation from Separate Account Clients as agreed to between Karya and the relevant Separate Account Client from time to time.

Karya and its related persons have entered into revenue sharing agreements with investor(s) in the Funds pursuant to which Karya and its related persons will share a portion of the

management fees and performance based compensation they receive with respect to certain Funds. While the Funds may have the same fee structure, and therefore there is no incentive to favor any one fund over another as a result of fee structures, the revenue sharing by Karya or its related persons and thus the differing participation in fees by third parties could appear to create an incentive for Karya to favor one Fund or another.

Fees for Separate Account Clients vary as negotiated between Karya and each Separate Account Client, and may be higher or lower than fees paid by the Funds, which may create an incentive for Karya to choose a Client over another.

Karya has procedures designed and implemented to ensure that all Clients are treated equitably in the allocation of investment opportunities and trades.

ITEM 7 – TYPES OF CLIENTS

Karya provides investment management services to U.S. and non-U.S. Funds. Each Fund has a minimum investment requirement for investors as set forth in the Fund's Memorandum which is waivable in Karya MM's discretion in the case of U.S. Funds or the board of directors' discretion in the case of non-U.S. Funds. Investors are also required to meet certain eligibility standards as set forth in each Fund's Memorandum.

Karya may also from time to time provide investment management services for a limited number of Separate Account Clients, which are accepted on a case-by-case basis.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Karya utilizes a multi-disciplined investment approach that relies on both fundamental analysis and technical analysis to take advantage of market opportunities and mispricings and to realize gains when Karya's price targets are reached. Karya's main sources of information include industry analysts and economists, specialized research groups, industry databases, financial newspapers and general sources of news and analyses.

Karya primarily invests in fixed income securities and related derivatives based on relative value analyses and a focus on G-7 currency countries. Karya also seeks to maintain exposure to equities, sovereign debt, certain currencies and commodities entirely through the use of futures and option contracts.

Karya may be bound by certain fixed guidelines concerning the percentage of assets that may be invested in any particular investment or counterparty. These guidelines are described in a Fund's Memorandum.

Certain Risk Factors

Investing in financial instruments involves the risk of loss of principal that Clients should be prepared to bear. A brief explanation of the material risks associated with Karya's principal investment strategies and methods of analysis follows. Additional risk factors are set forth in the Memorandum of each Fund.

- Relative Value Trading Strategies. The success of relative value strategies is dependent on a Fund's ability to exploit relative mispricings among interrelated instruments. Although relative value positions are considered to have a lower risk profile than directional trades as the former attempt to exploit price differentials not overall price movements, relative value strategies are by no means without risk. Mispricings, even if correctly identified, may not converge within the time frame within which a Fund maintains its positions. A Fund's relative value strategies are subject to the risks of disruptions in historical price relationships, the restricted availability of credit and the obsolescence or inaccuracy of its or third-party valuation models. Market disruptions and/or counterparty defaults may also force the Fund to prematurely to close out one or more positions. Such disruptions have in the past resulted in substantial losses for funds employing relative value strategies. A major component of relative value trading involves spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss may occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably and, due to the leveraged nature of the Fund's trading, result in increased losses.
- Sovereign Debt Risk. The governmental authority that controls the repayment of the debt may be unwilling or unable to repay the principal and/or interest when due in accordance with the terms of such securities due to: the extent of its foreign reserves; the availability of sufficient foreign exchange on the date a payment is due; the relative size of the debt service burden to the economy as a whole; or the government debtor's policy towards the International Monetary Fund and the political constraints to which a government debtor may be subject. If an issuer of sovereign debt defaults on payments of principal and/or interest, a Fund may have limited legal recourse against the issuer and/or guarantor. In certain cases, remedies must be pursued in the courts of the defaulting party itself, and the Fund's ability to obtain recourse may be limited.
- U.S. Government Securities. U.S. government securities are debt securities issued by the U.S. Treasury or issued by an agency or instrumentality of the U.S. government. Although all obligations of agencies and instrumentalities are not direct obligations of the U.S. Treasury, payment of the interest and principal on these obligations may be backed directly or indirectly by the U.S. government. This support can range from the backing of the full faith and credit of the United States to U.S. Treasury guarantees, or to the backing solely of the issuing instrumentality itself. A Fund is subject to interest rate and market risks. The prices of government securities tend to fall as interest rates rise. Securities that have longer maturities tend to fluctuate more in price in response to changes in market interest rates than do securities with shorter maturities. This risk is usually greater when inverse floaters are held by a Fund.

- Supranational Debt Obligations. A Fund may invest in debt issued by supranational entities. Supranational entities are entities constituted by the national governments of several countries to promote economic development, such as the World Bank, the International Monetary Fund, the European Investment Bank and the Asian Development Bank. Obligations of these entities are supported by appropriated but unpaid commitments of their member countries, and there can be no assurances that these commitments will be undertaken or met in the future.
- Risks Associated With Municipal Securities. A Fund's investment in municipal securities will generally consist of general obligations for which the taxing power of the issuer is the source of repayment and pre-refunded municipal obligations and certain essential purpose obligation bonds. Revenue or essential purpose obligation bonds are not direct obligations of any government, and the payment of such obligations is generally dependent on the collection of anticipated revenues from a particular facility or special excise tax. In the event that special revenues backing such obligations are not received, the Fund will have no recourse against the issuer or any other party for repayment of such obligations. In the case of general obligations, there is the risk that an issuer of such obligations could become insolvent and default on the obligations. In such case, the Fund would be a creditor of the issuer and would likely not receive full payment of principal and interest on the obligations.
- Risks Related to Mortgage-Backed and Asset-Backed Securities. Most mortgage-backed and asset-backed securities are subject to early repayment of principal, which can be expected to accelerate during periods of declining interest rates and decelerate during periods of rising interest rates. For certain types of asset pools, such as collateralized mortgage obligations, prepayments may be allocated to one tranche of securities ahead of other tranches, in order to reduce the risk of prepayment for the other tranches. Such repayments can usually be reinvested only at the lower yields then prevailing in the market. Therefore, during periods of declining interest rates, these securities are less likely than other fixed income obligations to appreciate in value and less effective at locking in a particular yield. On the other hand, mortgage-backed and asset-backed securities are subject to substantially the same risk of depreciation during periods of rising interest rates as other fixed income securities.
- Derivative Transactions Generally. A Fund may engage in derivative transactions both for hedging purposes and as an alternative to direct investments in the underlying securities. The risks associated with derivative transactions are potentially greater than those associated with the direct purchase or sale of the underlying securities because of the additional complexity and potential for leverage. In addition, derivatives may create credit risk (the risk that a counterparty on a derivative transaction will not fulfill its contractual obligations), as well as legal, operations, reputation and other risks beyond those associated with the direct purchase or sale of the underlying securities to which their values are related.
- Special Risks Associated with Futures Trading

- *Price Volatility.* Futures contracts have a high degree of price variability and are subject to periodic rapid and substantial changes. Price movements for futures contracts which a Fund will trade may be influenced by, among other things, changing supply and demand relationships, government, trade, fiscal and economic events and changes in interest rates. Governments from time to time intervene, directly and through regulation, in certain markets, often with the intent to influence prices directly. Consequently, substantial losses could occur.
- *Futures Markets are Leveraged and Speculative.* The markets in which a Fund may trade are speculative, highly leveraged and involve a high degree of risk. Volatility increases risk, particularly when trading with leverage. Trading on a leveraged basis even in stable markets involves risk; doing so in volatile markets necessarily involves a substantial risk of sudden, significant losses. Market volatility and leverage mean that a Fund could incur substantial losses, potentially impairing its equity base and ability to achieve its long-term profit objectives even if favorable market conditions subsequently develop.
- *Illiquidity of Markets.* Futures positions cannot always be liquidated at the desired price. It is difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in a market. A market disruption, such as when governments may take or be subject to political actions which disrupt the markets in their currency or major exports, can also affect the liquidity of the futures markets thereby making it difficult to liquidate a position.
- *No Intrinsic Value of Positions.* Futures trading is a risk transfer economic activity. For every gain there is an equal and offsetting loss rather than an opportunity to participate over time in general economic growth. Unlike most alternative investments, an investment in a Fund does not involve acquiring any asset with intrinsic value. Overall stock and bond prices could rise or fall significantly and the economy as a whole could prosper or falter without regard to whether a Fund trades profitably or unprofitably.
- *Trading on Non-U.S. Exchanges.* A Fund may engage in some of its trading on commodity exchanges outside the United States. Trading on such exchanges is not regulated by any United States governmental agency and may involve certain risks not applicable to trading on United States exchanges. In trading contracts denominated in currencies other than U.S. Dollars, unless a Fund hedges itself against fluctuations in exchange rates, the Fund is subject to the risk of adverse exchange-rate movements between the U.S. Dollar and the functional currencies of such contracts. Investors could incur substantial losses from a Fund's trading on foreign exchanges which losses might not have occurred had the Fund limited its trading to U.S. markets. In addition, some non-U.S. exchanges, in contrast to U.S. exchanges, are "principal markets" in which performance with respect to a contract is the responsibility only of the member with which the trader has entered into a contract and not of the exchange or clearinghouse, if any. In the case of trading on such non-U.S. exchanges, a Fund is subject to the risk of the inability of, or refusal by, the counterparty to perform with respect to such contracts. It is also possible that a Fund will not have the same access

to certain trades as do various other participants in non-U.S. markets. Due to the absence of a clearinghouse system on many non-U.S. markets, such markets are significantly more susceptible to disruptions, which may include prolonged suspensions of trading and involuntary settlement of positions at artificial prices, than on U.S. exchanges.

- *Failure or Lack of Segregation of Assets by Brokers.* Brokers are required to segregate all funds received from futures customers from such broker's proprietary assets. If a Fund's clearing Broker fails to do so, the assets of the Fund might not be fully protected in the event of their bankruptcy. Furthermore, in the event of a clearing Broker's bankruptcy, a Fund could be limited to recovering only a pro rata share of all available funds segregated on behalf of the clearing Broker's combined customer accounts, even though certain property specifically traceable to the Fund was held by the clearing Broker. In certain cases, it is possible that none of a Fund's assets held at the bankrupt clearing Broker may be recoverable, even if the clearing Broker has properly segregated the Fund's assets from the clearing Broker's proprietary assets.
- *Daily Price Fluctuation Limits.* U.S. commodity exchanges may limit fluctuations in futures contracts 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 particular commodity futures contract has increased or decreased to the limit point, positions in the commodity futures contract can be neither established nor liquidated unless traders are willing to effect trades at or within the limit. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent a Fund from promptly liquidating unfavorable positions and subject it to substantial losses which could exceed the margin initially committed to such trades.
- *Failure of Non-Correlation Eliminates Benefits of Diversification.* Historically, the futures and foreign exchange markets generally have been non-correlated to the performance of other asset classes such as stocks and bonds. Non-correlation means that there is no statistically valid relationship between the past performance of futures contracts on the one hand and stocks or bonds on the other hand. Non-correlation should not be confused with negative correlation, where the positive performance of one asset class results in negative performance of the other (and vice versa). Because of this non-correlation, a Fund could be profitable during unfavorable periods for the stock market, or vice-versa. The futures markets are fundamentally different from the securities markets in that for every gain in futures trading, there is an equal and offsetting loss. If a Fund does not perform in a manner non-correlated with the general financial markets or does not perform successfully, any diversification benefits will be lost and the Fund may not generate gains to offset losses from other investments.
- Options Trading. A Fund's trading may include the trading of options contracts. An option gives the purchaser of the option the right but not the obligation to take a position at a specified price (the "striking," "strike" or "exercise" price) in a financial instrument. A

“call” option gives the purchaser the right to buy the underlying financial instrument, and the purchaser of a “put” option acquires the right to take a sell position in the underlying financial instrument. Both the purchasing and selling of call and put options entail risks. Although an option buyer’s risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying financial instruments. In theory, an uncovered call writer’s loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying financial instrument may fall below the exercise price.

The foregoing is a summary of the material risks involved in Karya’s investment strategies. Further discussion of risk factors related to the Funds is presented in each Fund’s Memorandum, which is available to current investors in such Fund and prospective investors with whom Karya or its agents have a pre-existing substantive relationship.

ITEM 9 – DISCIPLINARY INFORMATION

Karya does not have any disciplinary or legal events to report.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Karya is a registered commodity trading adviser with the Commodity Futures Trading Commission, and a member of the National Futures Association. Karya also is in the process of registering as commodity pool operator.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Karya has adopted a Code of Ethics (the “Code”) which sets forth the ethical and fiduciary principles and related compliance requirements under which Karya operates and the procedures for implementing those principles. The Code includes provisions that govern fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, political contributions, outside business activities and confidentiality.

The principals and employees (collectively, “Employees”) of Karya and their related accounts are permitted to maintain personal securities accounts provided that such accounts are disclosed to Karya and that any personal trading is consistent with applicable law and with the Code. Under the Code, Employees may invest in equity securities subject to pre-clearance by the Chief Compliance Officer.

The Code also contains policies and procedures that, among other things:

- prohibit Employees from taking personal advantage of opportunities belonging to Clients,
- prohibit trading on the basis of material nonpublic information, and

- place limitations on personal trading by Employees (as described above) and impose preclearance and reporting obligations with respect to trading.

Karya's Code is available to any Client or prospective client upon request by contacting Ken Kolber, Karya's Chief Compliance Officer, at (212) 201-1972.

Karya, consistent with Clients' investment objectives and in accordance with applicable law, may cause accounts it manages to effect, and will recommend to Clients or prospective clients, the purchase or sale of securities in which Karya, directly or indirectly, has a position or interest.

From time to time, it may be appropriate for more than one of the Clients managed by Karya to trade in the same securities at the same time. As a general rule, such orders are combined (or bunched) and allocations among Karya's Clients acquiring the same securities on the same day are effected on a pro rata basis, based on the relative value of the accounts, or otherwise based on an allocation amount determined at the time of the order. If the orders are combined (or bunched), each of the accounts will have its same day orders filled on an average price basis (such that each receives the same price). While the Funds follow similar strategies, in certain cases, factors specific to a particular Fund (e.g., tax considerations), may dictate that a particular investment is not suitable for both Funds, and both Funds may not always participate in all or the same investments. Although Karya's goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on an overall or trade-by-trade basis that one Fund will not be treated differently from another.

Karya does not engage in principal transactions with Client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from or sells any security to any advisory client.

From time to time, it may be appropriate for more than one Client to trade in the same securities at the same time. As a general rule, such orders are combined (or bunched) and allocations among Clients acquiring the same securities on the same day are effected on a pro rata basis, based on the relative value of the accounts, or otherwise based on an allocation amount determined at the time of the order. While Karya's goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on an overall or trade-by-trade basis that any particular Client will not be treated more favorably than another.

ITEM 12 – BROKERAGE PRACTICES

Karya has complete discretion in deciding what brokers and dealers (collectively, the "Brokers") a Client will use and in negotiating rates of brokerage compensation. The exact amount of brokerage and related transaction costs that will be incurred by a Client will depend upon a number of factors, including the nature and frequency of the market opportunities presented, the size of the transactions and the transaction rates in effect from time to time.

Best Execution

In choosing Brokers, Karya is not required to consider any particular criteria. For the most part, Karya will seek the best combination of brokerage expenses and execution quality but, as discussed below, Karya is not required to select the Broker that charges the lowest transaction cost, even if that Broker provides execution quality comparable to other Brokers. In evaluating “execution quality,” historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions may be a principal factor, but other factors may also be relevant, including: the execution, clearance, and settlement and error correction capabilities of the Broker generally and in connection with securities of the type and in the amounts to be bought or sold by a Client; the Broker’s willingness to commit capital; the Broker’s reliability and financial stability; the size of the transaction desired by a Client for a given security; the availability of securities to borrow for short sales; and the market for the security.

Soft Dollars

Karya does not receive any “soft dollar” services or products provided by the Brokers or paid for by the Brokers (either by direct payment or reimbursement or by commissions, mark-ups or credits or by any other means) and provided by others.

Aggregation of Orders

Karya may aggregate sale and purchase orders of securities held by a Client with similar orders being made simultaneously for other accounts or entities, if, in Karya’s reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to a Client based on an evaluation that a Client is benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for a Client will be effected simultaneously with the purchase or sale of like securities for such other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined at Karya’s sole discretion, and the Client may be charged or credited, as the case may be, the average transaction price.

ITEM 13 – REVIEW OF ACCOUNTS

Client accounts are generally reviewed on a daily basis by the Chief Investment Officer of Karya to ensure that investment objectives are adhered to and portfolios are rebalanced as necessary.

Investors in the Funds generally are provided with written unaudited monthly statements of their account from the administrator to the Fund and annually receive audited financial statements.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Karya may pay brokers, finders or other third parties fees or similar compensation in connection with the referral of investors to the Funds. Investors in the Funds do not pay higher advisory fees based on these relationships.

Karya does not receive any economic benefit for providing advice to its Clients from anyone other than its Clients.

ITEM 15 – CUSTODY

Karya does not have physical custody of any Client assets. Because Karya or related persons of Karya act as the managing member of certain Clients, Karya is deemed to have custody of the assets of those Clients. Karya maintains the assets of all Clients with qualified custodians, within the meaning of Rule 206(4)-2 under the Advisers Act. Karya satisfies reporting requirements under the rule by furnishing audited financial statements annually to all investors in the Funds within the time periods required under the custody rule.

Karya does not typically have physical or constructive custody over Separate Account Client accounts.

ITEM 16 – INVESTMENT DISCRETION

Consistent with a Client's investment objectives, Karya has authority, without obtaining specific Client consent, to determine the types and amounts of securities to be bought and sold. Limitations on Karya's authority are imposed by the investment strategies and objectives of its Clients. See Item 4.

ITEM 17 – VOTING CLIENT SECURITIES

Karya does not assume proxy voting authority on behalf of Clients.

ITEM 18 – FINANCIAL INFORMATION

Karya has no financial condition that impairs its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy proceeding.