

**Item 1 – Cover Page**

**Overland Advisors, LLC**

**&**

**ADH Investment Management LP**

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**This Brochure provides information about the qualifications and business practices of Overland Advisors, LLC (“Overland”) and ADH Investment Management LP (“ADH”), which are collectively referred to in this Brochure as the “Firm” or the “Manager”. If you have any questions about the contents of this Brochure, please contact us at 650-989-2811 or [natasha.salins@overlandadvisors.com](mailto:natasha.salins@overlandadvisors.com). 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.**

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

**Additional information about Overland Advisors, LLC and ADH Investment Management LP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**April 12, 2013**

## **Item 2 – Material Changes**

On April 1, 2012, Wells Fargo & Company sold a majority interest in Overland Advisors, LLC, to a new company controlled by principals, Gordy Holterman and Derek Dunn.

On June 4, 2012, Overland Advisors, LLC moved to new offices located at 601 Gateway Boulevard, Suite 1050, South San Francisco, CA 94080.

As of April 13<sup>th</sup>, 2013, ADH Investment Management LP, an affiliate of Overland, began relying on Overland's registration with the SEC. This Brochure has been amended to include information regarding ADH Investment Management LP in addition to information regarding Overland.

Effective August 13, 2012, Park Hill Group LLC serves as placement agent with respect to the interests in private investment funds sponsored and advised by Overland.

A copy of our current Brochure may be requested by contacting the Firm's Chief Compliance Officer, Natasha Salins at 650-989-2811 or [Natasha.salins@overlandadvisors.com](mailto:Natasha.salins@overlandadvisors.com).

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## **Item 4 – Advisory Business**

Overland Advisors, LLC (“Overland”), provides discretionary investment management services for a fee to individual and institutional clients and to pooled investment vehicles. Overland has been in business since February 2010. Overland’s principal owners are Dunn & Holterman, LLC, which owns a majority stake, and Wells Fargo & Company, which holds a minority stake. Derek Dunn and Gordon C. Holterman are the sole owners of Dunn & Holterman, LLC.

Overland generally seeks to generate positive risk adjusted returns and preserve capital with low correlation to major asset classes such as equities and fixed income. Overland strives to construct diversified multi-strategy portfolios designed to extract high current yields, capital gains and undervalued optionality. Overland currently focuses on relative value trades intended to take advantage of mispricing across a company’s capital structure (senior debt, subordinated debt and preferred and common stock). Overland invests primarily in investment-grade and non-investment-grade debt securities, equities, and other assets, as well as equity and interest rate derivatives and certain commodity futures. Typically, there are no limits on the types of investment instruments Overland may utilize, and no formal diversification constraints.

ADH Investment Management LP (“ADH”), is a recently formed Delaware limited partnership. ADH is under common control with Overland and the principal owners and founders of ADH are Anup Agarwal, Ryan Dow, Gordon Holterman, Derek Dunn, Peter Sterling and Peter Van Gelderen. ADH provides investment management and advisory services to private investment funds that invest in a variety of securities and financial instruments, primarily focusing on mortgage-backed securities and related derivatives and loan portfolios. ADH seeks to maximize returns by constructing a portfolio and utilizing in-house research, a comprehensive selection process, a proprietary credit and prepayment models, and structuring capabilities. ADH currently manages the ADH Agency Plus Fund Ltd., ADH Agency Plus Fund LLC and ADH Agency Plus Master Fund LP, a recently formed Cayman Islands exempted limited partnership.

Overland Advisors, LLC and ADH Investment Management LP are referred to collectively in this Brochure as “the Manager” or “the Firm,” and the disclosures in this Brochure refer to both firms except where otherwise indicated.

As of March 31, 2013, the Firm’s regulatory assets under management were \$4,127,522,992; all assets were managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

The Manager generally charges fees for its services consisting of a base management fee, calculated as a percentage of assets under management in a client account and paid to the

Manager on a monthly basis, and a performance-based fee or allocation, calculated as a percentage of any income and realized and unrealized gains earned by the account and generally paid or allocated to the Manager on an annual basis unless a client withdraws their money before year end. The Manager's management fee and incentive allocation rate with clients vary based on how much they invest with the Firm. Client fees are deducted monthly in arrears.

The Manager's fees are exclusive of brokerage commissions, transaction fees, and other related fees and expenses which may be incurred by clients. See Item 12 below for a discussion of the Firm's brokerage practices. Clients also may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. These charges, fees and commissions are exclusive of and in addition to the Manager's fee, and the Manager will not receive any portion of these charges, fees, and commissions.

The Manager's fee schedule is omitted because this Brochure is only being delivered to qualified purchasers as defined in the Investment Company Act of 1940.

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

As discussed in Item 5 above, The Manager's fees include a performance-based component which is dependent on the underlying performance of the clients' investments. To the extent the Manager manages various client accounts that are charged differing levels of performance-based fees, the Manager has an incentive to select investments for performance-based fee accounts that may be riskier or more speculative than those that would be selected under a different fee arrangement.

## **Item 7 – Types of Clients**

Overland provides investment advisory services to pooled investment vehicles (e.g., hedge funds), trusts, pension plans, corporations and other institutions, and ultra high net worth individuals. The minimum size of an investment advisory account managed by Overland is \$100,000,000 and the minimum investment into the funds managed by Overland is \$100,000. The minimum size of an investment account management by ADH is \$100,000,000 and the minimum investment into the funds managed by ADH is \$100,000. Smaller accounts may be accepted in the sole discretion of the Firm.

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

The Manager may invest in any part of a firm's capital structure, or any derivative thereof, including equity securities, corporate fixed-income securities, convertible bonds, syndicated bank loans, stocks, stock options, credit default swaps, credit default tranches, and other derivative instruments. Investments in U.S. government securities, index options, non-U.S. currencies, interest rate swaps, futures, non-fixed income securities, commodities, and other assets may also be part of the portfolio. There are no absolute restrictions on the types of investments or investment strategies that the Manager may employ, although Overland currently intends to focus primarily on relative value strategies and ADH intends to focus on strategies involving mortgage-backed securities.

Overland's security analysis methods include charting, fundamental, technical and cyclical. The investment strategies used to implement any investment advice given to clients include margin transactions, long/short equity, capital structure arbitrage, convertible arbitrage, credit curve trading, event driven, basis trading, distressed credit events, and options trading. Overland attempts to achieve, on behalf of its clients, superior risk-adjusted returns with limited downside volatility primarily by exploiting inefficiencies in the pricing of corporate securities. However, the portfolio at any time may include trades with diverse return attributes that together exhibit an attractive risk versus reward profile. Trades may be event, volatility or value-driven, and may include investments which carry a static return or yield income component. Overland aims to limit downside volatility by maintaining a bias toward trades that display a positively convex payout structure.

The types of mortgage products in which ADH may invest include, but are not limited to, U.S. and non-U.S. residential mortgage-backed securities collateralized mortgages, U.S. and non-U.S. commercial mortgage-backed securities or "CMBS," interest-only, inverse-interest only and principal-only derivatives based on the foregoing, and synthetic indices related to the foregoing. ADH expects that exposure to the mortgage markets will be achieved in a number of ways in addition to residential mortgage-backed securities or "RMBS" and CMBS, including, but not limited to, the purchase, directly or indirectly, of mortgage loan portfolios, the purchase or sale of indices that reference residential mortgage securities, and investments in companies or vehicles which originate or acquire such loans, including trusts and real estate mortgage investment conduits. ADH may make investments in vehicles which own, without limitation, performing and distressed loans, RMBS, CMBS, asset backed securities or "ABS," collateralized loan obligations and collateralized debt obligations collectively, "CDOs", or indirectly in some of these assets. ADH may invest, directly or indirectly, in synthetic instruments and instruments accessing related indices.

Investing in securities involves risk of loss that clients should be prepared to bear. Strategies include frequent trading of securities which can affect investment performance.

## **Strategy Risks**

### Portfolio Turnover

The Manager may invest on the basis of short-term market considerations. The turnover rate of investment portfolios managed by the Manager may be significant, potentially involving substantial brokerage commissions and fees.

### Trade Execution

Certain of the investment techniques used by the Manager may require the rapid and efficient execution of transactions, or the ability of the Manager to accumulate or liquidate large positions. Inefficient execution can eliminate the market opportunities sought with such techniques.

Transactions may be executed on terms other than those intended by the Manager. For example, a transaction may be executed in the wrong instrument, for the wrong quantity or price, as a buy when the Manager meant a sell, or a sell when the Investment Manager meant to buy. The Manager will generally bear the losses or costs of any such errors, except as set forth in the governing documents for a pooled investment vehicle or other account documentation. The Manager will also be subject to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions, thereby causing an account to suffer a loss.

### Liquidity

Market liquidity often falls in periods of market turmoil, dramatically increasing transaction costs for investors seeking to acquire or liquidate positions. In the event the Manager were to seek to liquidate assets in a period of poor liquidity, clients could experience substantial losses. At the extreme, numerous alternative investment programs have incurred significant or total losses when attempting to liquidate positions during periods of extreme illiquidity – often when seeking to raise cash to meet margin calls issued by counterparties.

### Disparity between Quoted and Actionable Values

The prices quoted by dealers for certain investment instruments may differ materially from the prices at which such dealers are willing to execute transactions in such instruments. This disparity can result in unexpected losses and/or strategy disruption when such investments are bought or sold.

## Potential for Insufficient Investment Opportunities

The Manager may not be able to secure a sufficient number of investment opportunities for the accounts. The activity of identifying, completing and realizing attractive investments, especially in the disrupted MBS markets, is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally is subject to market conditions as well as to the prevailing regulatory and political climate.

## Short Positions

The Manager routinely takes short positions in a wide range of investment instruments. A short sale of an investment involves the risk of an unlimited increase in the market price of that instrument, which can, in turn, result in an inability to cover the short position and a theoretically unlimited risk of loss to the client. Purchasing investments to close out a short position can itself cause the market price to rise further, increasing losses. Furthermore, clients may prematurely be forced to close out a short position if a lender of such instrument demands the return of the instrument sold short.

During the severe market disruptions following the bankruptcy of Lehman Brothers in September 2008, securities regulators in a number of countries imposed bans on the short-selling of the securities and certain other listed instruments of certain issuers and implemented other new short-selling rules. These limitations were typically imposed on an “emergency” basis, making it impossible for numerous market participants either to continue to implement certain strategies or to control the risk of certain of their open positions. Short selling constitutes an important element of a number of the Manager’s strategies, and any regulatory limitations on short-selling which may result from the current (or future) market disruptions could materially adversely affect the Manager’s ability to implement certain of its strategies for the benefit of its clients. Regulators and legislators may, at any time, impose additional restrictions on short selling. Specifically, the SEC has reinstated an “uptick test” for short sales, and its impact on the strategies employed by the Manager are unclear.

## Difficulties in Implementing Short Positions

It is typically significantly more difficult to take short positions in a particular issuer’s debt instruments than it is to do so in the same issuer’s common stock. Credit default swaps may be available to do so, but these instruments are themselves subject to incremental risks.

## Hedging Risks

The Manager may choose to hedge certain market or other risks inherent in client portfolios, but will have no obligation to do so. In certain cases, it is not economically feasible — and may be impossible — to hedge a substantial portion of such risks. When hedging risk exposures associated with particular positions or in respect of an overall portfolio, the Manager may use a variety of investment instruments, the choice of which may turn out in retrospect to have failed to create the intended risk mitigation. Furthermore, the Manager may choose to use dynamic hedging approaches which may ultimately fail to achieve the intended risk mitigation if the market experiences rapid changes in price, volatility or liquidity. The Manager will not, in general, attempt to hedge all market or other risks inherent in client portfolios, and will hedge certain risks, if at all, only partially.

## Changing Market Conditions

Certain changes in market conditions — for example a decrease in trading volume or liquidity — could materially reduce a client's profit potential.

## Reliance on Financial Reporting of Others

The investment strategies employed by the Manager rely on the financial information made available by the issuers in which the Manager invests. The Manager has no ability to independently verify the financial information disseminated by the numerous issuers in which the Manager invests and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Clients could incur material losses as a result of corporate mismanagement, fraud and accounting irregularities at the issuers in which it invests.

## Rating Agency Uncertainty

Downgrading of issuers in which clients invest could lead to substantial losses, and the Manager may not be able to rely with confidence on the ratings given to issuers.

## Emerging Markets

Emerging market investing is subject to risks not generally applicable to investing in more developed economies, including inefficient clearing systems, inadequate regulatory, accounting and disclosure standards, the risk of government intervention, expropriation and/or confiscatory taxation. The Manager generally believes that in emerging markets it has access to inferior information in comparison to that possessed by many local market participants. Emerging markets are also generally more vulnerable to periods of less liquidity and extreme volatility than more developed markets. In addition, when periods of stress occur in developed financial markets, emerging markets as a group may suffer major price declines and less liquidity.

## Fluctuating Correlation with Stocks and Bonds

Many investors seek to achieve diversification in their holdings by investing in alternative asset management programs. The Manager does not seek to achieve any particular correlation with traditional asset classes such as stocks and bonds. However, there can be no assurance that the Manager's clients will experience a low level of correlation with a traditional portfolio of stocks and bonds. This may be particularly true during periods of market disruption and stress when the risk control benefits of diversification may be most important. In fact, at any time, client portfolios, or portions of such portfolios, may be highly correlated with the financial markets in general, and during such periods may not provide diversification benefits.

## Technical Strategies

The trading strategies to be utilized by the Manager are primarily fundamental, but also employ technical factors, *i.e.*, the analysis of historical and current market data. Technical strategies are subject to the risk that unexpected fundamental factors or other factors may dominate the market during certain periods. Furthermore, a frequent premise of technical strategies is that past market conditions are indicative of future market prices. The influx of different market participants, structural changes in the markets (for example, the "penny pricing" of options or the

implementation of the SEC's Regulation NMS), the introduction of new financial products and other developments could materially adversely affect the profitability of technical strategies.

#### Model Risk

Certain of the strategies employed by the Manager are highly dependent on quantitatively based pricing theories and valuation models, which the Manager uses to evaluate investment opportunities. These models generally seek to forecast future price changes based upon a limited number of factors and inputs. The forecasts generated by these models may differ substantially from actual future price realizations, resulting in major losses. There can be no assurance that the models used by the Manager will be effective or that they will be effectively utilized by the Manager. Moreover, there can be no assurance that the Manager will be able to continue to develop, maintain and update the models.

The models used by the Manager may depend upon inputs from various sources, and in the event such inputs are not accurate, unexpected losses may be incurred.

The Manager anticipates the continued modification, enhancement and development of models. Each new generation of models (including incremental improvements to current models) exposes clients to the possibility of unforeseen losses from a variety of factors, including conceptual failures and implementation failures.

#### No Formal Diversification Policies

Although Overland focuses primarily on the corporate credit and equity markets, and ADH will focus primarily on the MBS and ABS markets, the Manager's investment strategy is not subject to any formal diversification policies. At any given time, client portfolios may be overly concentrated in instruments as grouped by counterparty, issuer, industry, geography, market and/or investment strategy (in each case, directly, or in the case of derivative instruments, by reference). Any such concentration may subject clients to greater risk of loss than would a more diversified approach.

#### Relative Value Strategies

The success of relative value strategies is dependent on the Manager'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 the clients maintain their positions. Even true "riskless" arbitrage—which is rare—can result in significant losses if the arbitrage is not able to be sustained (due, for example, to margin calls) until expiration, and few, if any, of the Manager's client positions will constitute true arbitrage as opposed to relative value trades. The Manager'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 may also force the Manager to prematurely close out one or more positions. Such disruptions have in the past resulted in substantial losses for funds employing relative value strategies.

## Spread or Arbitrage Trading Risks

One component of the Manager's trading operations involves spreads and arbitrage trades between two or more positions. Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will be recognized; to the extent that the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, the high degree of leverage typically applied will increase client losses.

## Directional Strategies

Directional investing is subject to all the risks inherent in incorrectly predicting future price movements. Often these price movements will be determined by unanticipated factors, and the Manager's analysis of known factors may prove inaccurate, in each case potentially leading to substantial losses.

## Illiquid Investments

Certain of the investments that may be held by client accounts may be illiquid and may not have readily ascertainable asset values. Such valuations will affect the Firm's performance reporting as well as the calculation of its performance-based fee. In addition, the Manager may only be able to liquidate these instruments, if at all, at disadvantageous prices, should the Manager determine, or it becomes necessary, to do so.

## No Limitations on Investment Instruments

There is no limitation on the types of investment instruments in which the Manager may invest. New investment instruments are continually developing and investments in such instruments may involve material and as yet unanticipated risks.

## Market Volatility

The prices of the investment instruments to be traded by the Manager can be volatile during certain, perhaps prolonged, periods. Market volatility creates the risk of the positions held by clients being highly unprofitable on an interim basis, even if over time they would ultimately be profitable. Under certain market conditions, clients potentially may be forced to liquidate positions and to realize significant losses.

A number of the trading and risk management models used by the Manager depend in part on the ability of the Manager to forecast near-term market volatility. Given the number of factors which can affect market volatility, such forecasts are inherently subjective and unreliable. Clients could incur substantial trading losses, and the risk management models used by the Manager may not function as designed if realized market volatility differs materially from the forecasts of the Manager.

## **Investment Instrument Risks**

### **Debt Securities**

Debt securities may be subject to price volatility due to various factors including changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. In addition to the sensitivity of debt securities to overall interest rate movements, debt securities involve a fundamental credit risk based on the issuer's ability to make principal and interest payments on the debt it issues.

The Manager may invest in both investment grade debt securities and non-investment grade debt securities (commonly referred to as "junk bonds"). Non-investment grade debt securities in the lowest rating categories may involve a substantial risk of default or may be in default. Debt securities may pay fixed, variable or floating rates of interest, may include zero coupon obligations and may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks.

### **Derivative Instruments**

The Manager makes extensive use of various derivative instruments. These instruments typically involve highly leveraged exposure to underlying referenced assets from which such instruments derive their performance, at least in part. The use of derivatives involves a variety of material risks, including the possibility of counterparty non-performance as well as of deviations between the actual and the theoretical value of such derivatives. Derivatives are subject to a wide variety of contractual terms including a range of "early termination events" permitting the counterparty to liquidate the position prematurely. Derivatives may be extremely illiquid, and in many cases, derivative positions may be offset only by transacting with the counterparty to the derivative.

Some of the derivatives that may be traded by the Manager may be principal-to-principal or OTC contracts between the Manager and third parties entered into privately, rather than on an established exchange. As a result, the Manager would not be afforded the regulatory protections of an exchange or its clearinghouse, or of a government regulator that oversees the exchange or clearinghouse, if a counterparty fails to perform. In privately negotiated transactions, the risk of the negotiated price deviating materially from fair value is substantial, particularly when there is no active market available from which to derive benchmark prices.

### **Distressed and High Yield Investment Instruments**

The Manager may invest in investment instruments issued by companies in weak and/or deteriorating financial condition, experiencing poor operating results, needing substantial capital investment, perhaps having negative net worth, facing special competitive or product obsolescence problems or involved in bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and business risks, which are often heightened by an inability to obtain reliable information about the issuers. Such investments can result in significant or even total losses. In addition, the markets for distressed and high-yield investment instruments are frequently illiquid.

The market prices of distressed and high-yield investment instruments are subject to abrupt and erratic market movements and above-average price volatility, and the spreads between the bid

and asked prices of such investment instruments may be greater than those prevailing in other markets. In liquidation and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful, will be delayed, or will result in a distribution of cash or new investment instruments the value of which will be less than the purchase price of the investment instruments in respect to which such distribution was made. Distressed investment instruments also may be adversely affected by U.S. state and federal laws relating to, among other things, fraudulent transfers and other voidable transfers or payments and lender liability, as well as the Bankruptcy Court's power to disallow, reduce, subordinate or disenfranchise particular claims.

### Credit Default Swap Agreements

The Manager invests in and trades credit default swap agreements, or "CDSs" and uses them in its hedging strategies. Investing in CDSs involves greater risks than investing in the reference obligation directly. In addition to general market risks, CDSs are subject to liquidity risk and credit risk. CDSs are a relatively new form of security, but the volume of trading in CDSs has grown rapidly in recent years. The size and relative immaturity of the CDS market may expose clients to large and unexpected risks. During periods of economic stress the CDS market may not function as expected and may experience disruption, illiquidity, counterparty default, extreme volatility or imperfect price discovery.

Given the recent increases in volume of CDSs in the market, settlement of such contracts may also be delayed beyond the time frame originally anticipated by counterparties, and disputes are more likely to arise as settlement is delayed. Such delays may adversely affect Overland's ability to otherwise productively deploy any capital that is committed with respect to such contracts.

### Bank Loans

The Manager may invest in loans and loan participations originated by banks and other financial institutions. These investments may include highly leveraged loans to borrowers whose credit is rated below investment grade. Such loans are typically private corporate loans that are negotiated by one or more commercial banks or financial institutions and syndicated among a group of commercial banks and financial institutions. In order to induce the lenders to extend credit and to offer a favorable interest rate, the borrower may provide the lenders with information about the borrower's business that is not generally available to the public. To the extent that the Manager obtains such information, the Manager may be unable to trade in the securities of the borrower.

### Leveraged Loans

Leveraged loans have historically experienced significantly higher default rates than investment-grade debt. These investment instruments are commonly under intense price pressure, and the dynamics driving their value are often company-specific issues unrelated to market-wide investor sentiment. The liquidity for defaulted obligations is very limited, and such obligations typically may only be sold at severe discounts to face value. There can be no assurance that

the ultimate recovery on any defaulted obligation will not be materially less than the recovery rate assumed by the Manager in determining whether to acquire such obligation.

### Structured Finance Obligations

Structured finance obligations are subject to prepayment, credit, liquidity, market, structural, legal and interest (among other) risks. The performance of a structured finance obligation is affected by a variety of factors, including the level and timing of the payments and recoveries on the underlying assets and the adequacy of the related collateral.

### Subordinated Interests and Note Classes

The Manager may invest in subordinated interests and note classes, each representing a highly leveraged investment in the underlying reference assets. The market value of these interests or notes will be significantly affected by, among other things, changes in the market value of, distributions and prepayments made by, and the prices and interest rates of, the underlying reference assets.

### Options

The Manager may buy or sell (write) both call options and put options on behalf of clients on either a covered or an uncovered basis. The value of options is materially affected by market volatility. Were the Manager to incorrectly forecast near-term market volatility, clients would likely incur substantial losses on such options trading. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price, theoretically unlimited.

### Futures

The Manager may trade futures. Futures are often inherently highly leveraged, often with margin deposits as low as 2% to 15% of contract value, highly volatile and can become illiquid due to exchange-imposed price fluctuation limits.

The regulation of futures trading on non-U.S. exchanges differs materially from that on U.S. exchanges. The Manager may be placed at significant competitive disadvantage to other market participants in trading on such exchanges.

The successful trading of futures for speculative purposes is subject to the ability to predict correctly movements in the direction of the relevant market, and, to the extent the transaction is entered into for hedging purposes, to determine the correlation between the position being hedged and the price movements of the futures contract.

### Currencies

Clients are subject to the exchange rate risk inherent in investing in global investment instruments denominated in different currencies.

Certain of the investment instruments in which the Manager invests are denominated in currencies other than the U.S. dollar. In holding non-U.S. currency denominated positions, clients are subject to the risk that exchange rate movements will cause losses on positions which would otherwise have been profitable.

### Equity Securities

Overland invests in equity securities (including equity-based derivatives), the values of which vary with an issuer's performance and movements in the broader equity markets. As a result, clients may suffer losses if Overland invests in equity securities of issuers whose performance diverges from Overland's expectations. Numerous economic factors, as well as market sentiment, political and market-related factors, among others, influence the value of equities. At any given time, clients may have significant investments in companies with smaller market capitalizations. These securities often involve greater risks than the securities of larger, better-known companies, including less liquidity and greater volatility.

### Residential and Commercial Mortgage-Backed Securities

ADH's portfolio may be concentrated in RMBS and CMBS. Investing in RBMS and CMBS involves the general risks typically associated with investing in traditional fixed-income securities including interest rate and credit risk, as well as additional risks peculiar to the mortgages underlying RMBS and CMBS. Holders of mortgage-backed securities or "MBS" bear various risks, including liquidity risks, interest-rate risks, market risks, operations risks, structural risks and legal risks. The structure of an MBS and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Although the basic elements of all MBS are similar, individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding the securities include the process by which the principal and interest payments are allocated and distributed to investors, how credit losses affect the issuing vehicle and the return to investors in such MBS, whether collateral represents a fixed set of specific assets or accounts.

### Agency MBS and To Be Announced ("TBA") Agency MBS

MBS issued by a U.S. government agency or a federally chartered corporation, referred to as "Agency MBS," have many of the same characteristics of non-Agency MBS and are essentially a sub-set of RMBS. Agency MBS may consist of pools of mortgages that are issued by an Agency, may be multi-class MBS and may also be in the form of collateralized mortgage obligations. In addition to being subject to risks related to RMBS generally, Agency MBS may be subject to idiosyncratic Agency-related risks. See "Agency Related Risks" below.

A substantial portion of Agency MBS acquired by ADH, if any, will be purchased in the TBA market. In the TBA market, Agency MBS are acquired on an agency basis under a forward contract, with the actual securities not being identified until as late as 48 hours prior to the

settlement date. In disrupted Agency MBS markets, the actual securities delivered can result in a materially different investment than had other securities been delivered under a given TBA. There will be incremental risk to the accounts in the TBA settlement process.

### Alt-A and Subprime Mortgage Loans

ADH may invest in residential mortgage loans made to borrowers whose qualifying mortgage characteristics do not conform to Agency underwriting guidelines, residential mortgage loans that have been originated using underwriting standards that are less restrictive than those used in underwriting conforming loans and Alt-A mortgage loans or RMBS collateralized by Alt-A and subprime mortgage loans. Generally, these loans allow homeowners to qualify for a mortgage loan with reduced or alternate forms of documentation. These mortgage loans also may include interest-only amortization or negative amortization periods, which require accelerated amortization periods over the remaining term.

Due to economic conditions, including increased interest rates and lower home prices, as well as aggressive lending practices, Alt-A and subprime mortgage loans may experience rates of delinquency, foreclosure, bankruptcy and loss that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner. These loans are also more likely to be subject to governmental interventions, such as regulatory enforcement actions and mandated modification programs. Therefore, the performance of these mortgage loans or RMBS backed by such mortgage loans in which ADH may invest could be correspondingly adversely affected.

### Agency-Related Risk

The financial stability of Fannie Mae and Freddie Mac, two of the largest purchasers of mortgages in the secondary market, has been adversely affected by the housing crisis. The principal and interest on Agency MBS issued by Fannie Mae and Freddie Mac are guaranteed, subject to the conditions of each guarantee, by Fannie Mae and Freddie Mac, respectively, but their guarantee is not backed by the full faith and credit of the U.S. government. Since at least September 2008, it has been apparent that Fannie Mae's and Freddie Mac's ability to withstand future credit losses associated with securities held in their investment portfolios, and on which they provide guarantees, depends on the direct support of the federal government.

In September 2008, Fannie Mae and Freddie Mac were placed into the conservatorship of the Federal Housing Finance Agency ("FHFA"), their federal regulator, pursuant to its powers under The Federal Housing Finance Regulatory Reform Act of 2008, a part of the Housing and Economic Recovery Act of 2008. As the conservator of Fannie Mae and Freddie Mac, the FHFA controls and directs the operations of Fannie Mae and Freddie Mac and, among other things, may (i) take over the assets of and operate Fannie Mae and Freddie Mac with all the powers of shareholders, the directors, and the officers of Fannie Mae and Freddie Mac and conduct all business of Fannie Mae and Freddie Mac, (ii) collect all obligations and money due

to Fannie Mae and Freddie Mac and (iii) perform all functions of Fannie Mae and Freddie Mac which are consistent with the conservator's appointment.

Although the federal government has committed capital to Fannie Mae and Freddie Mac, there can be no assurance that this support will continue, or that the credit support provided by the federal government will be adequate for their future needs. If such credit support is withdrawn or is inadequate, Fannie Mae and Freddie Mac could fail to honor their guarantees and other obligations. Any such failure could significantly reduce the value of the Agency MBS acquired by ADH.

#### CDO Investment Related Risks

The market value of CDOs will fluctuate due to several factors such as general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

CDOs are subject to credit, liquidity and interest rate risks. There is no established, liquid secondary market for many of the CDO securities ADH may purchase, and CDOs may be subject to certain transfer restrictions. No assurance can be given that if ADH were to dispose of a particular CDO held by ADH, it could dispose of such investment at the previously prevailing market price.

The performance of CDOs will be adversely affected by macroeconomic factors, including (i) general economic conditions affecting capital markets and participants therein; (ii) the economic downturns and uncertainties affecting economies and capital markets worldwide; (iii) recent concern about financial performance, accounting and other issues relating to various publicly traded companies; and (iv) recent and proposed changes in accounting and reporting standards and bankruptcy legislation.

#### Index Risk

ADH may invest in structured notes, variable rate ABS and MBS, including adjustable-rate MBS, which are backed by mortgages with variable rates, and certain classes of MBS derivatives, the rate of interest payable under which varies with a designated rate or index. The value of these investments is closely tied to the absolute levels of such rates or indices, or the market's perception of anticipated changes in those rates or indices. This introduces additional risk factors related to the movements in specific indices or interest rates which may be difficult or impossible to hedge, and which also interact in a complex fashion with prepayment risks.

#### Consumer Asset-Backed Securities

In addition to its primary focus on MBS, ADH may invest in a wide variety of ABS, including those backed by auto loans and leases, credit card loans and student loans, and other types of ABS, including those backed by small business loans, rental, commercial, and government fleet leases, certain insurance premium finance loans, equipment loans and leases, mortgages

servicing advance loans, aircraft leases, manufactured housing installment sale contracts and installment loan agreements, floorplan loans and franchise loans, referred to generally as “Consumer ABS.”

Like MBS, ABS are affected by payments, defaults, and losses on the underlying assets and the recent global economic slowdown may adversely affect the performance and market value of these securities. ABS are also susceptible to prepayment risks. Receivables in ABS may or may not contain prepayment penalties. A reduction in the interest rates may increase prepayments on the receivables and in turn a reduction in yield to maturity for ABS holders purchasing such securities at a premium. An increase in interest rates or other factors may slow prepayments which would result in a reduction in yield to maturity for ABS holders purchasing those securities at a discount. Governmental regulation may prohibit, limit, or delay repossession and sale of the assets to recover losses on defaulted assets underlying these ABS. As a result, payments on the related issue of ABS could be delayed and/or reduced. The assets underlying ABS may be obligations of the borrowers thereunder only and not insured or guaranteed by any other person or entity; consequently, distributions on such ABS may depend solely upon the amount and timing of payments and other collections on the related underlying assets.

#### Other Investment Instruments

The Manager invests in a variety of other corporate credit and equity instruments, including warrants, trade claims and structured products. These investment instruments each involve their own particular risks. There is no material limitation on the investment instruments (including investment instruments other than corporate credit and equity instruments) which Overland may trade.

### **Item 9 – Disciplinary Information**

None.

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

Park Hill Group LLC serves as placement agent with respect to the interests in private investment funds sponsored and advised by Overland.

### **Item 11 – Code of Ethics**

The Firm has adopted a Code of Ethics pursuant to SEC Rule 204A-1. All Firm personnel must comply with the Code. The Code states that the Firm and its personnel have a fiduciary

obligation to the Firm's clients that requires them to act in the best interests of such clients. In addition, Firm personnel must avoid actions or activities that allow, or appear to allow, them or their family members to profit or benefit from their relationships with the Firm and its clients. The Code also contains prohibitions on insider trading, restrictions on the acceptance of significant gifts, reporting obligations with respect to the receipt of certain gifts and business entertainment items, policies governing the safeguarding of proprietary and non-public information, and restrictions on the use of non-public information regarding a client. The Code also requires Firm personnel to pre-clear certain personal securities transactions and to report their securities transactions and holdings. All supervised persons at the Firm must acknowledge the terms of the Code of Ethics annually, or as amended.

The Firm's supervised persons may buy and sell, for their own accounts, and hold proprietary positions in, the same securities that the Firm buys and sells for client accounts. As these situations may involve conflicts between the interests of the Firm's supervised persons, on the one hand, and the interests of its clients, on the other, the Firm has established internal policies to ensure that the Firm's personnel do not prefer their own interests to those of clients and that clients are treated fairly. Employees are prohibited from buying and selling covered securities during the seven-day periods immediately preceding and immediately following the date that a client account trades in the security. Employees also are prohibited from buying or selling securities when they intend, or know of another's intention, to purchase or sell that security (or an equivalent security) for a client account. Certain employees also are prohibited from profiting from short-term trading, defined as buying and selling, or selling and buying, the same security (or an equivalent security) within 60 calendar days.

A copy of the Code will be provided to any client or prospective client upon request. Firm clients or prospective clients may request a copy of the Firm's Code of Ethics by written request to:

Compliance  
c/o "Code of Ethics"  
Overland Advisors, LLC/ADH Investment Management LP  
601 Gateway Blvd, Suite 1050, South San Francisco, CA 94080

To the extent permitted by applicable law, the Manager may cause client accounts to (i) purchase securities from an affiliate of the Manager, (ii) enter into transactions in which an affiliate of the Manager, acting as principal or as agent for its customers, serves as the counterparty, or (iii) purchase investments that are issued, or are the subject of an underwriting or other distribution, by the Manager's affiliates. The Manager also may cause clients to invest in the same securities held in proprietary accounts of the Manager's affiliates, or securities of issuers in which an affiliate has an equity or participation interest. The purchase, holding and sale of such investments by the Manager's clients may enhance the profitability of investments made by its affiliates.

The Manager's affiliates are engaged in a broad spectrum of activities, including financial advisory activities, and have extensive activities that are independent from and may from time to time conflict with those of the Manager's clients. The Manager's affiliates are actively engaged

in transactions in the same securities and instruments in which the Manager's clients may be invested.

The activities of the Manager's affiliates may have a negative effect on the value of the positions held by the Manager's clients. The Manager's clients and such affiliates may be competing for positions in the marketplace (e.g., both seeking to purchase the same or similar positions, one selling and the other buying, vice versa, etc.).

## **Item 12 – Brokerage Practices**

The Manager makes investment decisions and arranges for the placement of buy and sell orders and the execution of portfolio transactions for client accounts. In arranging for the execution of portfolio transactions on behalf of client accounts, the Manager seeks to obtain best execution at favorable prices on a client's behalf. In evaluating "best execution," the Manager reviews, among other things, the size and complexity of the order, the total cost or net proceeds, the timeliness and quality of the proposed execution, the reputation, integrity and financial and operating condition of the executing brokerage firms, the commission and the services provided.

The Manager does not currently receive research or other products or services other than execution services from broker-dealers or other parties in connection with client securities transactions.

Clients may direct the Manager, in writing, to execute trades with specific securities brokers. These instructions must specify the brokers to be utilized, the approximate target percentage of transactions to be directed, and the procedures for monitoring the arrangement. All brokers utilized for directed trading by clients must meet minimum trading requirements established by Overland or ADH's Chief Investment Officer ("CIO"), as applicable. The Manager may be unable to achieve most favorable execution of client transactions in directed brokerage arrangements, *i.e.*, a client may pay higher brokerage commissions because the Manager may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

The Manager will attempt (to the extent appropriate, permissible and/or feasible) to aggregate multiple orders for the purchase or sale of the same investment instrument in the same direction placed at or around the same time to achieve best execution with respect to all transactions being effected on behalf of various accounts. In all instances, the Manager will not aggregate a trade unless it is in the best interest of all clients involved and it is consistent with the Manager's duty to seek best execution. The CIO will monitor decisions to aggregate or not aggregate trades, as needed. If a determination is made that more than one client account should purchase or sell the same securities at the same time, the Manager will allocate these purchases and sales after consideration of factors such as the taxability of the account, cash available for investment, asset mix of the account, objectives and restrictions of the account, company and industry concentrations, broker designations specified by the client, size of

execution versus the total order size, and partial positions versus full positions. Circumstances may arise, however, in which an allocation could adversely affect a client account with respect to the price or the size of securities positions obtainable or saleable.

### **Item 13 – Review of Accounts**

The Firm regularly reviews client accounts based on an analysis of key operational, regulatory, risk and performance characteristics. Accounts are reviewed by Overland's CIO or ADH's CIO, as applicable, and the Firm's Chief Operating Officer ("COO") as well as the Firm's compliance and risk management personnel.

On a daily basis, all accounts managed by the Firm are reviewed by Overland or ADH's CIO, as applicable, and by the relevant portfolio managers, as well as operations staff under the supervision of the Firm's COO to ensure that all transactions have been properly posted to the respective accounts. For private investment funds managed by the Firm, the outside administrator for the fund prepares the clients account statements which are also reviewed by the Firm's finance team.

Compliance staff periodically review transactions executed and posted to all accounts managed by the Firm to ensure the transactions meet the investment criteria for the account and comply with the Firm's policy.

The Firm manages accounts for a small number of clients, so reviewers are not assigned specific accounts; each reviewer reviews all Firm accounts.

Firm clients receive monthly statements which include details of their individual capital balance activity plus their pro-rata investment gains or losses over the period. In addition, the statements present the client's period ending capital balance net of incentive allocations (if any) payable to the Firm.

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

Not applicable.

### **Item 15 – Custody**

The Manager urges you to carefully review statements provided by your custodian and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

The Manager receives discretionary authority to manage investments on behalf of its clients at the outset of an advisory relationship via the execution of an investment management agreement. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives and investment guidelines for the particular client account. Investment guidelines must be provided to the Manager in writing.

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

The Firm has adopted a proxy voting policy to ensure that proxies are voted in the best interests of its clients. The Firm exercises its voting responsibility as a fiduciary, with the goal of maximizing value to clients consistent with the governing laws and investment policies of each portfolio. While securities are not purchased to exercise control or to seek to effect corporate change through share ownership, the Firm supports sound corporate governance practices within companies in which it invests on behalf of client accounts. Social, political, or other objectives unrelated to the value of clients' investments will not be considered.

The Firm has appointed a proxy voting coordinator with responsibility for, among other things, collecting proxy materials and providing them to appropriate Firm personnel, transmitting votes and maintaining records with respect to the Firm's proxy voting. The Firm may engage other service providers to perform administrative functions in connection with voting of proxies. The Firm portfolio manager responsible for management of a specific account is responsible for timely voting, or determining not to vote in appropriate cases, proxies relating to securities in the account in accordance with the Firm's proxy voting policy. The Firm may engage in "security lending" programs on behalf of client accounts, and will generally refrain from voting securities on loan. The Firm may be unable to retrieve loaned securities for voting purposes even where it decides that voting loaned securities is desirable.

In furtherance of the Firm's goal of voting proxies in the best interests of clients, the Firm monitors for potential conflicts of interest with respect to voting proxies on behalf of client accounts that result from personal relationships, significant client relationships, or other circumstances that may arise during the conduct of the Firm's business. If a proxy relates to an issuer with respect to which the Firm becomes aware that it may have a conflict of interest, it will not vote the proxy on behalf of client accounts until it has been determined that the conflict of interest is not material or a method for resolving the conflict of interest has been agreed upon and implemented. Methods that may be used to resolve material conflicts include without limitation: disclosing the conflict to clients and obtaining their consent before voting; suggesting to clients that they engage another party to vote the proxy on their behalf; and engaging a third party to recommend a vote with respect to the proxy based on application of the principles set forth in the Firm's proxy voting policy. The Firm will maintain a written record of the method used to resolve a material conflict of interest.

Investment advisory clients of the Firm may request a copy of the Firm's proxy voting policy, as well as relevant proxy voting records, by making a written request to:

Compliance  
c/o "Proxy Voting"  
Overland Advisors, LLC/ ADH Investment Management LP  
601 Gateway Boulevard, Suite 1050, South San Francisco, CA 94080

## **Item 18 – Financial Information**

The Manager has no financial condition that would impair its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.