

FORM ADV PART II

TUNSTALL CAPITAL MANAGEMENT, L.P.

March 31, 2013

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This brochure provides information about the qualifications and business practices of Tunstall Capital Management, L.P., an investment adviser registered with the Securities and Exchange Commission. If you have any questions about the contents of this brochure, please contact us at (972) 628-4100. 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 Tunstall Capital Management, L.P. is also available at the Securities and Exchange Commission's website www.adviserinfo.sec.gov. Our registration as an investment adviser does not imply any level of skill or training.

ITEM 2. MATERIAL CHANGES

There were no material changes.

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ITEM 4. ADVISORY BUSINESS

Tunstall is an investment adviser registered with the SEC and an alternative fixed income manager since 2010 specializing in bank loans, high yield credit, and distressed debt with a global geographic reach. Our client base is comprised primarily of unregistered investment funds although we also offer separate account mandates.

OWNERSHIP OF TUNSTALL

Tunstall is 100% owned, directly, or indirectly, by senior management. James Dondero and Mark Okada, directly or indirectly may be deemed to be principal owners of Tunstall.

TUNSTALL REGULATORY ASSETS UNDER MANAGEMENT

Figures are in US\$ millions as of 12/31/2012

Total Assets Under Management	\$35.7
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By Vehicle Type:

Unregistered Investment Funds	\$35.7
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The stated AUM above is managed on a discretionary basis.

OUR ADVISORY SERVICES

Tunstall provides investment advisory services in several different strategies and types of investment vehicles. Tunstall is an investment adviser to an Unregistered Investment Fund (“Unregistered Investment Fund”, “Client Accounts” or “Clients”).

Tunstall is an affiliate of Highland Capital Management, L.P. (“Highland”), a SEC registered investment advisor. Employees of Tunstall may also be employees of Highland. In addition, Highland may act, pursuant to a servicing agreement or sub-advisory agreement, to provide Tunstall a variety of services mentioned herein, including but not limited to; advisory services, back office support, valuation services, legal and compliance services, administration, and tax and finance services. Payments to Highland under this agreement will be funded solely by Management Fee, except for permitted fund expenses.

TAILORING SERVICES

Tunstall offers to tailor its advisory services to the individual needs of Separate Account Clients. In particular, Tunstall may agree with a Separate Account Client to manage such

Client's assets against a particular benchmark or pursuant to certain investment guidelines. Separate Account Clients should be aware, however, that certain restrictions can limit Tunstall's ability to act and as a result, the account's performance may differ from and may be less successful than that of our other accounts.

With respect to Unregistered Investment Funds, investment restrictions, if any, are generally established in the organizational or offering documents of the applicable fund.

ITEM 5. FEES AND COMPENSATION

For providing investment advisory services, Tunstall may charge Clients a management fee and/or performance fee or carried interest, and other fees as necessary and agreed to (including, but not limited to, expenses related to servicing accounts, such as administration and legal services).

Under appropriate circumstances and where permitted by applicable law, the terms of an investment advisory contract, including fee schedules, terms of payment and performance fees and termination provisions, are negotiable. In negotiating fee schedules, Tunstall may consider various factors, including assets under management, investment objectives, strategies and restrictions, and the resources required to meet investment objectives.

Clients may incur brokerage and other transaction costs associated with Tunstall's management of Client Accounts. Please see Item 12. Brokerage Practices of this ADV Part 2 for a discussion of Tunstall's brokerage practices.

As discussed in Item 4. Advisory Business, Tunstall may contract with Highland for the provision of certain services. To provide these services, Highland will charge Tunstall a fee. This fee is based off arms-length negotiations and payable by Tunstall, not its Client Account.

FEE SCHEDULE

The following summary of fees is typically updated in this brochure annually (on or about March 31) and may not reflect subsequent changes. Fees in the below Fee Schedule are annualized.

Product	Management Fee	Performance Fee or Carried Interest	Other Fees
Separate Accounts	Not Available	Not Available	Not Available
Unregistered Investment Funds	Up to 2.00%	Up to 20.00%	None

Certain investment vehicles managed by Tunstall may invest in other investment vehicles managed by Tunstall or its affiliates. Both investment vehicles may impose management fees, performance fees or other expenses (including administrative fees). This may result in greater expense to a Client than if such Client had invested directly in the underlying investment vehicle. Certain companies in which Clients are invested also may use the products or services, or invest in investment vehicles, offered by Tunstall or its affiliates and may pay fees or other compensation accordingly.

UNREGISTERED INVESTMENT FUNDS

As compensation for our advisory services, an Unregistered Investment Fund may pay Tunstall management fees that range from up to 2.00% annually. Management fees are based upon outstanding capital accounts or amounts of committed capital and may be deducted quarterly in advance. Tunstall may also deduct performance fees or investment profit allocations in the form of carried interest up to 20% of returns, which may be after the achievement of a hurdle rate, and which may or may not be contingent on the manager of the applicable Unregistered Investment Fund eclipsing the high-water mark. In some cases, certain investors in an Unregistered Investment Fund may pay a different fee than others based on the terms of their agreement with Tunstall. Upon termination of the applicable Unregistered Investment Fund's advisory agreement, any management fees that have been prepaid are generally returned on a pro-rated basis.

In addition to management fees, performance fees, and brokerage and transaction costs, investors in the Unregistered Investment Funds will indirectly bear the fees and expenses paid by the Unregistered Investment Funds, including custody fees, administration, legal, audit and tax preparation fees, and certain other fees and expenses. Each Unregistered Investment Fund's offering documents include more detailed information about the fees and expenses paid by such Unregistered Investment Fund.

SEPARATE ACCOUNTS

For our Separate Accounts, the agreement entered into with Tunstall will determine the fee structure. Typically, a Separate Account will pay Tunstall management fees annually. Management fees are based upon the average daily net assets, which may or may not be net of investment leverage. Tunstall may also collect a performance fee after reaching an internal rate of return ("IRR") for some accounts. Fees may be deducted from the Separate Account's assets on a quarterly basis and payable in arrears.

OTHER COMPENSATION

Client Accounts may hold significant positions, individually or collectively, in the securities issued by a company. Accordingly, Tunstall or an affiliate jointly or separately may have the right to appoint a board member or officer for such company. Tunstall or an affiliate may appoint an employee or a third party to such position as it sees fit in the best interest of the company and its Clients. Unless the offering and/or governing documents for Client Accounts permit otherwise, all compensation received by the employee(s) for such positions will be paid to Tunstall or an affiliate for the benefit of the Client Account, generally in proportion to relative assets of the Client Account as of the date paid.

In addition, to the extent permitted by the offering and/or governing documents of the applicable advised accounts, Tunstall and/or its affiliates may receive other fees for services provided to portfolio companies, provided such fees are on arms-length terms and approved

by the Board of Directors or other governing body of the applicable portfolio company. See also Item 10. Other Financial Industry Activities and Affiliations.

We have established procedures designed to address possible conflicts of interest that such board or officer positions might present, including requiring authorization from the Chief Compliance Officer prior to an officer or employee serving as a board member. As a result of such activities, Tunstall may acquire confidential information, which may restrict Client Accounts from transacting in certain securities. As a result, we may not initiate a transaction on behalf of Clients which we otherwise might have.

Please see the section titled Performance-Based Fees and Side-By-Side Management of this ADV Part 2 for additional information regarding performance fees or investment profit allocations in the form of carried interest.

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

As described above, certain Clients may pay Tunstall a performance fee or investment profit allocations in the form of carried interest. To the extent that Tunstall charges a performance-based fee, the performance-based fee will comply with the requirements of Section 205 and Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”). In situations where Tunstall has entered into a performance fee arrangement, it may have an economic incentive to make riskier investments and/or pursue riskier strategies than it might otherwise. Tunstall has also developed allocation procedures intended to result in fair and equitable allocation over time. A more detailed summary of these allocation guidelines is available to Clients or prospective Clients upon request. In addition, Tunstall periodically tests the allocations policy and allocations to ensure allocations adhere to a fairness over-time standard.

A description of performance-based fees is included in the section titled Fees and Compensation.

ITEM 7. TYPES OF CLIENTS

Our Clients include:

❖ Unregistered Investment Funds

Investment advice is provided directly to Clients and not individually to investors in a particular Client.

Tunstall has minimum account requirements for Unregistered Investment Funds and Separate Accounts and generally requires a minimum investment of \$2 million depending on the structure. Minimum account size may be waived for certain investors at Tunstall's discretion.

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

The items below are types of investment strategies we may make although we may add or subtract from this list based on various factors including macro-economic conditions.

INVESTMENT STRATEGIES

Bank Loan Strategy

Tunstall's bank loan strategy seeks to generate attractive absolute returns by opportunistically making investments across the capital structure, with a core focus in senior secured bank loans. The bank loan strategy is long-biased and U.S. focused, but has the ability to invest in Canada and Europe.

The strategy may use hedging investments to manage interest rate, default, currency and systemic risks.

Special Situations Strategy

Tunstall's special situations strategy employs directional, capital structure arbitrage, relative value, and event-driven investment strategies across various credit markets where Highland holds significant investment experience, primarily the distressed, leveraged loan, high yield and structured products markets. It also utilizes an investment approach to exploit relative value and arbitrage opportunities within these markets. The objective is to maintain low correlation to the broader equity and corporate bond markets, as well as other alternative investment strategies, and to provide attractive risk-adjusted returns on capital. Highland also looks to implement selected trading strategies to exploit pricing inefficiencies across the credit markets and within an individual issuer's capital structure.

Private Equity Strategy

The private equity strategy targets investments in the fulcrum securities of distressed credits based in the U.S. and Western Europe. It seeks to capitalize on the following market dynamics: balance sheets remain over levered and companies continue to address looming maturities, while financing markets are bifurcating between good and bad credits. The strategy generally involves investing in undervalued senior secured loans and debt obligations of financially troubled companies to achieve value recoveries via refinancing, at par take-outs or conversions to equity and thereafter create value through operational and financial improvements. This strategy offers a compelling alternative to equity by providing a

different downside risk while seeking positive risk-adjusted returns and upside potential in misunderstood industries and companies.

METHOD OF ANALYSIS

For all investments in Client Accounts, we utilize both fundamental and technical analysis methods. Our investment philosophy is rooted in a value-oriented, long-term approach, which combines bottom-up research with top-down technical market analysis. Tunstall and its affiliates' sourcing advantage and robust information and research expertise allow us to comprehensively analyze and monitor a high percentage of the credit universe. Our analysts follow a rigorous and time-tested bottom-up credit analysis for each credit we manage. We have also devised and applied an institutionalized process of credit evaluation and approval, via our Investment Committee, and have built a dedicated experienced restructuring team that has been integrated into Tunstall's investment process.

Tunstall's sell discipline is largely enforced by the ongoing monitoring of individual credit names by the responsible analyst and his or her supervisor.

Other sources of information include obtaining and reviewing due diligence packages prepared by debt issuers and underwriters of institutional private placements and meetings with management of issuers.

MATERIAL RISKS OF SIGNIFICANT STRATEGIES AND METHODS OF ANALYSIS:

In this section we've summarized some of the material risks of Tunstall's investment strategies and methods of analysis. More complete information about the specific risks associated with each strategy or Client Account is available in the applicable offering documents. All methods of investments in securities and loans involve risk of loss including risk that a Client will lose the entire value of their investment.

Allocation of Investments

There is a risk that the allocations methodology employed by Tunstall will not result in optimal allocation and may disadvantage one Client Account while benefiting another Client Account. Since the process involves human input, there is the risk that human error may cause harm to a Client Account and there can be no guarantee such harm will be discovered through normal testing procedures. Poor or mistaken allocation decisions could result in the loss of money for investors.

Credit Risk

Clients engage in transactions in securities and financial instruments that involve counterparties. Under certain conditions, a counterparty to a transaction could default or the market for certain securities and/or financial instruments may become

illiquid. There is a risk that the issuer of a fixed income security will be unable to make timely principal and interest payments on the security. Certain Clients may invest in securities rated below investment grade (which are commonly referred to as “high yield” securities or “junk” securities). They are regarding as predominately speculative with respect to the issuer’s continuing ability to meet principal and interest payments. The downgrade of a security held by a Client Account may decrease its value. Securities are subject to varying degrees of credit risk, which are often reflected in ratings assigned by commercial rating companies such as Moody’s Investor Service, Standard & Poor’s Corporation, Duff & Phelps Credit Rating Co. and Fitch Investors Service.

Currency Risk

If a Client Account invests directly in non-U.S. currencies or in securities of issuers that trade in, and receive revenues in, non-U.S. currencies, or in derivatives that provide exposure to non-U.S. currencies, it will be subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, a Client’s investments in foreign currency-denominated securities may reduce the returns of the Client Account.

Derivatives Risk

Derivatives, such as futures and options, are subject to the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. Derivatives also expose the Client to the credit risk of the derivative counterparty. Derivative contracts may expire worthless and the use of derivatives may result in losses to the Client.

Frequency of Trading

Some of the strategies and techniques to be employed by Tunstall require frequent trades to take place and, as a consequence, portfolio turnover and brokerage commissions will be greater than for other investment vehicles of similar size that do not employ frequent trading techniques.

Hedging

Tunstall may (but is not required to) utilize financial instruments both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of a Client Account resulting from fluctuations in the markets and changes in interest rates; (ii) protect the unrealized gains in the value of a Client Account; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in a Client Account; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of financial instruments; (vii) protect against any increase in the price of any financial instruments Tunstall anticipates purchasing at a later date; or (viii) act for any other reason that the Tunstall deems appropriate. For a variety of reasons, Tunstall may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Client from achieving the intended hedge or expose the Client to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of portfolio holdings. Moreover, it should be noted that the Client Account will be exposed to certain risks that cannot be hedged.

Illiquid Securities

Tunstall may cause a Client to invest in a security that is illiquid. This could present a problem in realizing the prices quoted (selling a bond at or near its true value) and in effectively trading the position(s). The primary measure of liquidity is the size of the spread between the bid price and the offer price quoted by a dealer. The greater the dealer spread, the greater the liquidity risk. Liquidity risk is less relevant for investments that are intended to be held until maturity. Lack of liquidity means Tunstall may not be able to sell such investments at prices that reflect Tunstall's assessment of their value or the amount paid for such investments. 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 Tunstall and other factors. Furthermore, the nature of Tunstall's investments, especially those in financially distressed companies, may require a long holding period prior to profitability.

Inflation Risk

Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if Tunstall purchases a 5 year bond in which it can realize a coupon rate of 5 percent, but the rate of inflation is 6 percent, then the purchasing power of the cash flow has declined. For securities other than adjustable bonds or floating rate bonds, the

investment is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

Investments in Distressed Assets

Debt obligations and other securities of distressed companies will by their nature relate to companies in unstable financial condition and entail substantial inherent risks. Consequently, many of these companies will likely have significantly leveraged capital structures, making them highly sensitive to declines in revenues and to increases in expenses and interest rates. The leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as downturns in the economy or deterioration in the condition of the portfolio company or its industry. Distressed investing also involves significant expenses of legal counsel, experts, consultants and other third parties.

Investments in Equity Securities

Investments in public equities are subject to the risk that stock prices will fall over short or long periods of time. In addition, common stock represents a share of ownership in a company, and rank after bonds and preferred stock in their claim on the company's assets in the event of bankruptcy.

Investments in Foreign Securities

A Client may invest a portion of its assets in securities of companies domiciled or operating in one or more foreign countries. Investing in foreign securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the U.S., including instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, foreign currency risk, changes in governmental administration or economic or monetary policy (in the U.S. or abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend or interest payments) or confiscatory taxation may also affect investment in foreign securities. Higher expenses may result from investment in foreign securities than would from investment in domestic securities because of the costs that must be incurred in connection with conversion between various currencies and foreign brokerage commissions that may be higher than in the U.S. Foreign securities markets also may be less liquid, more volatile and subject to less governmental supervision than in the U.S., including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

Investments in Structured Finance Instruments

Tunstall may cause clients to invest in structured finance instruments. A portion of leveraged loans, high yield debt securities, structured finance instruments and synthetic securities (collectively the “Collateral Debt Obligations”) may consist of equipment trust certificates, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations or similar instruments. Structured finance instruments may present risks similar to those of the other types of Collateral Debt Obligations in which the Client may invest and, in fact, such risks may be of greater significance in the case of structured finance instruments. Moreover, investing in structured finance instruments may entail a variety of unique risks, including prepayment risk. In addition, the performance of a structured finance instrument will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. Each structured finance instrument to be purchased by a Client must be rated by a rating agency.

Investments in Synthetic Securities

Tunstall may cause Clients to invest in synthetic securities. In addition to credit risks associated with holding non-investment grade loans and high yield debt securities, with respect to synthetic securities, Tunstall or its Clients will usually have a contractual relationship only with the counterparty of such synthetic securities, and not the obligor on a reference obligation (the “Reference Obligor”). Such agreement generally stipulates that Tunstall or its Client will have no right to directly enforce compliance by the Reference Obligor with the terms of the reference obligation (defined herein as the debt security or other obligation upon which the synthetic security is based), nor any rights of set-off against the Reference Obligor, nor have any voting rights with respect to the reference obligation. In addition, in the event of insolvency of the counterparty, the Client will be treated as a general creditor of such counterparty, and will not have any claim with respect to the reference obligation. Consequently, the Client will be subject to the credit risk of the counterparty as well as that of the Reference Obligor. As a result, concentrations of synthetic securities in any one counterparty subject the notes to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. Tunstall will not perform independent credit analyses of the counterparties, any such counterparty, or an entity guaranteeing such counterparty, individually or in the aggregate.

Investments in Senior Secured Loans

Senior secured loans have significant credit risks and material losses may occur. As with other debt obligations, claims and collateral may be difficult to enforce in the event of a default. No assurance can be made that full or significant recovery of principal and/or interest will be received or that any collateral recovered will be marketable or sufficient.

Leverage

When deemed appropriate by Tunstall and subject to applicable regulations, a Client may use leverage in its investment program, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent a Client purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Client. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the Client's use of leverage would result in a lower rate of return than if the client were not leveraged.

Maturity Risk

In certain situations, Tunstall may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, Tunstall will make an adjustment to account for the differential interest-rate risks in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.

Market or Interest Rate Risk

The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the prices of fixed income securities fall. If a Client holds a fixed income security to maturity, the change in its price before maturity will have little impact on the Clients performance; however, if the Client has to sell the fixed income security before the

maturity date, an increase in interest rates will result in a loss. Senior secured bank loans generally pay interest at rates that are determined periodically by reference to a base lending rate plus a premium. These rates often are re-determined daily, monthly, quarterly or semi-annually. Recently, domestic and international markets have experienced a period of acute stress starting in the real estate and financial sectors and then moving to other sectors of the world economy. This stress has resulted in unusual and extreme volatility in the equity and debt markets and in the prices of individual investments. These market conditions could add to the risk of short-term volatility of investments.

Options

A Client may use a number of option strategies. Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

With certain exceptions, exchange listed options generally settle by physical delivery of the underlying security or currency, although in the future cash settlement may become available. Index options are cash settled for the net amount, if any, by which the option is “in-the-money” (i.e., where the value of the underlying instrument exceeds, in the case of a call option, or is less than, in the case of a put option, the exercise price of the option) at the time the option is exercised. Frequently, rather than taking or making delivery of the underlying instrument through the process of exercising the option, listed options are closed by entering into offsetting purchase or sale transactions that do not result in ownership of the new option. The Client’s ability to close out its position as a purchaser or seller of a listed put or call option is dependent, in part, upon the liquidity of the option market.

Over-the-counter (“OTC”) options are purchased from or sold to securities dealers, financial institutions or other parties (“Counterparties”) through direct bilateral agreement with the Counterparty. In contrast to exchange listed options, which generally have standardized terms and performance mechanics, all the terms of an OTC option, including such terms as method of settlement, term, exercise price, premium, guarantee, and security, are set by negotiation of the parties. Unless the parties provide for it, there is no central clearing or guaranty function in an OTC option. As a result, if the Counterparty fails to make or take delivery of the security, currency or other instrument underlying an OTC option it has entered into with the

Client or fails to make a cash settlement payment due in accordance with the terms of that option, the Client will lose any premium it paid for the option as well as any anticipated benefit of the transaction.

If a put or call option purchased by the Client were permitted to expire without being sold or exercised, its premium would be lost by the Client. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying security caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold to the Client at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying security caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold by the Client at a lower price than its current market value. Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks.

Short Sales

A Client may sell securities short. Short selling involves the sale of a security that the Client does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the Client must borrow securities from a third party lender. The Client subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. The Client must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains his right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays a fee for the use of the Client’s cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors.

Valuation of Portfolio Investments

From time to time, special situations affecting the valuation of the investments (such as limited liquidity, unavailability or unreliability of third-party pricing information and acts or omissions of service providers to the Client) could have an impact on the value of a Client’s investment, 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. Generally, Tunstall

is not required to make retroactive adjustments to prior subscription or withdrawal transactions, management fees or performance allocations based on subsequent valuation data. In addition, Tunstall may, but is not required to, discount the value of its positions due to limited liquidity, concentration levels or for other reasons. Due to the nature of its investments, Tunstall may not be able to place a precise value on positions and therefore may need to estimate values.

ITEM 9. DISCIPLINARY INFORMATION

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Tunstall and its advisory affiliates manage various strategies and some strategies are managed by more than one adviser. For this reason certain Clients of Tunstall (or clients of Tunstall's advisory affiliates) may be referred to and enter into advisory agreements with such affiliated adviser. Neither Tunstall nor its advisory affiliates charge a fee for such referral or receive any portion of the advisory fees charged clients managed by an affiliated adviser.

As shared in Item 4. Advisory Business, Tunstall may use the services of affiliates to services its' clients. Tunstall believes using such services benefits Clients as a whole as the reserves available to them are greater.

BROKER-DEALER, BANKING, AND CONSULTING AFFILIATES

Owners of Tunstall own a majority interest in NexBank Capital, Inc., whose wholly owned subsidiaries include NexBank Securities, Inc. ("NexBank Securities"), NexBank, SSB, and Barrier Advisors, Inc. Tunstall and NexBank Capital, Inc. may be deemed to be under common control.

NexBank Securities, Inc.

NexBank Securities is a registered broker-dealer and a Member of FINRA/SIPC. It may provide distribution assistance in connection with the sale or placement of funds managed by Tunstall.

NexBank, SSB

NexBank, SSB, a state chartered bank, is an affiliate of Tunstall and may, from time to time, provide banking and agency services to portfolio companies in which Client Accounts may be invested. These services generally may result in compensation to NexBank, SSB in various forms, including administrative agent fees, structuring fees, origination and syndication fees, and assignment fees. Fees are charged at rates competitive with those offered by third parties. Tunstall may also refer Client Accounts or controlled investments to NexBank, SSB for banking services. NexBank, SSB may charge its customary fees for the provision of such banking services.

To the extent permitted by applicable law, NexBank, SSB, may sell or offer participations to Tunstall Accounts a variety of commercial loans for which NexBank will receive compensation. The federal and state regulatory authorities with jurisdiction over Tunstall may review the pricing and other terms of these sales or participations.

Barrier Advisors (division of NexBank Securities, Inc. effective January 1, 2012)

Barrier Advisors, a restructuring consulting firm, is also an affiliate of Tunstall and may provide services and restructuring advice to portfolio companies of Client Accounts for compensation.

INVESTMENT ADVISER AFFILIATES

A related person of Tunstall is the general partner of a number of other collective investment vehicles organized as partnerships including those managed by the following affiliated investment advisers:

Acis Capital Management, L.P.

Acis Capital Management, L.P., a SEC-registered investment adviser, is under common control with Tunstall because the owners of Tunstall own substantially all of Acis Capital Management, L.P.

Cummings Bay Capital Management, L.P.

Cummings Bay Capital Management, L.P., a SEC-registered investment adviser, may be deemed to be under common control with us because James Dondero controls the Cummings Bay general partner.

Falcon E&P Opportunities GP, LLC

Falcon E&P Opportunities GP, LLC, which is under-going the SEC investment adviser registration process and pending approval, may be deemed to be under common control with us because James Dondero controls the Falcon general partner.

Granite Bay Advisors, L.P.

Granite Bay Advisors, L.P., a SEC-registered investment adviser, is under common control with Tunstall because the owners of Tunstall own substantially all of Granite Bay Advisors, L.P.

Highland Capital Management, L.P.

Highland is a SEC-registered investment adviser, and under common control with Tunstall because the owners of Tunstall own substantially all of Highland. Highland also acts as sub-adviser for Tunstall advised funds.

Highland Capital Management Fund Advisors, L.P. (f/k/a Pyxis Capital, L.P)

Highland Capital Management Fund Advisors, L.P., a SEC-registered investment adviser, may be deemed to be under common control with us because James Dondero controls the Highland Capital Management Fund Advisors general partner.

Additionally, Highland Capital Management Fund Advisors serves as advisor to a total of 17 investment companies registered under the Investment Company Act of 1940, as amended.

NexPoint Advisors, L.P.

NexPoint Advisors, L.P., a SEC-registered investment adviser, may be deemed to be under common control with us because James Dondero controls the NexPoint Advisors general partner.

Thomas Surgent, our Chief Compliance Officer, is also the Chief Compliance Officer of each of the investment advisers listed above other than Highland Capital Management Fund Advisors, L.P and NexPoint Advisors, L.P.

INSURANCE COMPANY AFFILIATES

Highland Capital Management Services, Inc. is an affiliate of Tunstall and parent company of Governance Re Ltd., a captive insurance agency issuing directors & officers' liability insurance and employment practice liability insurance to Tunstall and affiliates. A conflict of interest exists due to the fact that Governance Re Ltd. may receive premiums from portfolio companies of Client Accounts. Tunstall may be incentivized to choose Governance Re. Ltd. to provide these services over a third party even though such party's services may be better suited for the company.

INDEPENDENT BUSINESS ENTITIES

Employees, including the owners, of Tunstall also own personal interests in a variety of independent business entities. A conflict of interest may exist due to the potential for the owners' personal relationships and financial interests to conflict with our Client's interests.

BUSINESS ACTIVITIES WITH PORTFOLIO COMPANIES

Tunstall or its affiliates provide on a periodic basis certain services to portfolio companies including, but not limited to, forensic accounting, interim management consulting services and merger and acquisition advisory services. Tunstall or our affiliates may also furnish operational consulting services to certain portfolio companies of Tunstall's Clients. The time spent with respect to such activities depends upon a number of factors including the size of the investment, the relationship with the portfolio company and the financial and strategic position of such company. Tunstall or its affiliated advisors (including employees) may be

directly or indirectly compensated for such services provided such compensation is received as a result of an arm's length contract between the company and such person. Employees of Tunstall may be granted equity or options in the portfolio companies for which they provide certain services.

Additional information regarding potential conflicts of interest arising from Tunstall's relationship and activities with its affiliates is provided in the section titled Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

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

Tunstall maintains a policy of strict compliance with the highest standards of ethical business conduct and the provisions of applicable federal securities laws, including rules and regulations promulgated by the SEC, and has adopted policies and procedures described in its Code of Ethics. The Code of Ethics applies to each employee of Tunstall and other “access person”. It is designed to ensure compliance with legal requirements of Tunstall’s standard of business conduct.

A complete copy of Tunstall’s Code of Ethics is available to any Client or prospective Client upon request.

STANDARDS OF CONDUCT

Tunstall and its access persons are expected to comply with all applicable federal and state laws and regulations. Access persons are expected to adhere to the highest standards of ethical conduct and maintain confidentiality of all information obtained in the course of their employment and bring any risk issues, violations, or potential violations to the attention of the Chief Compliance Officer. Access persons are expected to deal with Clients fairly and disclose any activity that may create an actual or potential conflict of interest between them and Tunstall or Client.

ETHICAL BUSINESS PRACTICES

Falsification or alteration of records or reports, also known as a prohibited financial practice, or knowingly approving such conduct is prohibited. Political contributions or payments to government officials or employees may not be furnished on behalf of Tunstall. Tunstall seeks to outperform its competition fairly and honestly and seeks competitive advantages through superior performance not illegal or unethical dealings. Access persons are strictly prohibited from participating in online blogging, unapproved communication with the media, and the spreading of false rumors pertaining to any publicly traded company.

CONFIDENTIALITY

Employees must maintain the confidentiality of Tunstall’s proprietary and confidential information, and must not disclose that information unless the necessary approval is obtained. Tunstall has a particular duty and responsibility, as investment adviser, to safeguard Client information. Information concerning the identity and transactions of investors is confidential, and such information will only be disclosed to those Employees and outside parties who may need to know it in order to fulfill their responsibilities.

GIFT AND ENTERTAINMENT POLICY

Access persons are permitted, on occasion, to accept gifts and invitations to attend entertainment events. When doing so, however, employees should always act in our best interests and that of our Clients and should avoid any activity that might create an actual or perceived conflict of interest or impropriety in the course of our business relationship.

PERSONAL TRADING

Personal Trading Policy

Access persons are allowed to trade reportable securities during designated time periods, however all transactions in reportable securities other than ETFs must be pre-approved by the Chief Compliance Officer or his/her designee. Except in very limited circumstances approved by the Chief Compliance Officer, access persons are not permitted to trade any security of which we or the Fund own any portion of the capital structure or that is on our restricted list without permission. Access persons who violate the personal trading policy are reprimanded in accordance with the sanctions provisions outlined in the Code of Ethics. Personal securities transactions are reviewed by the Chief Compliance Officer or his/her designee for compliance with the personal trading policy and applicable SEC rules and regulations.

Prohibition against Insider Trading

Tunstall forbids any access person from trading, either personally or on behalf of others, including Clients advised by Tunstall, on material non-public information or communicating material non-public information to others in violation of the law or duty owed to another party. This conduct is frequently referred to as “insider trading”. The concepts of material non-public information, penalties for insider trading, and processes for identifying insider trading are addressed in detail in the Compliance Manual and Code of Ethics.

Reporting Requirements

In compliance SEC rules, access persons are required to disclose all of their personal brokerage accounts and holdings within 10 days of initial employment with Tunstall, within 10 days of opening a new account, and annually thereafter. Additionally, the last day of the month following each quarter-end, all access persons must report all transactions in reportable securities over which the access person had any direct or indirect beneficial ownership. Access persons are also required annually to affirm all reportable transactions from the prior year.

POTENTIAL CONFLICTS

Tunstall and its affiliates engage in a broad range of activities, including activities for their own account and for the accounts of Clients. This section describes various potential conflicts that may arise in respect of its business, as well as how Tunstall addresses such conflicts of interest. The discussion below does not describe all conflicts that may arise.

Any of the foregoing potential conflicts of interest will be discussed and resolved on a case by case basis. Tunstall's determination as to which factors are relevant, and the resolution of such conflicts, will be made using Tunstall's best judgment, but in its sole discretion. In resolving conflicts, Tunstall will take into consideration the interests of the relevant clients, the circumstances giving rise to the conflict and applicable laws. Certain procedures for resolving specific conflicts of interest are set forth below.

Allocation of Investment Opportunities

Tunstall may act as investment adviser to Clients that have similar investment objectives and pursue similar strategies. Certain investments identified by Tunstall may be appropriate for multiple Clients. Investment decisions for such Clients are made by Tunstall in its best judgment, but in its sole discretion, taking into account such factors as Tunstall believes relevant. Such factors may include investment objectives, regulatory restrictions, current holdings, availability of cash for investment, the size of investments generally, and limitations and restrictions on a Client's Account that are imposed by such Client. A particular investment may be bought or sold for only one Client or in different amounts and at different times for more than one but less than all Clients, even though it could have been bought or sold for other Clients at the same time. Likewise, a particular investment may be bought for one or more Clients when one or more other Clients are selling the investment. In addition, purchases or sales of the same investment may be made for two or more Clients on the same date. There can be no assurance that a Client will not receive less (or more) of a certain investment than it would otherwise receive if Tunstall did not have a conflict of interest among Clients.

In effecting transactions, it is not always possible, or consistent with the investment objectives of Tunstall's various Clients, to take or liquidate the same investment positions at the same time or at the same prices. Certain investment restrictions may limit Tunstall's ability to act for a Client and may reduce performance. Regulatory and legal restrictions (including restrictions on aggregation of positions) may also restrict the investment activities of Tunstall and result in reduced performance.

Tunstall seeks to manage and/or mitigate these potential conflicts of interest described by following procedures with respect to the allocation of investment opportunities among its Clients, including the allocation of limited investment

opportunities. Our allocation policy is based on a fundamental desire to treat each Client Account fairly over time. Please refer to the Investment Discretion – Allocation Conflicts section for a more detailed explanation of Tunstall’s allocation process.

Investment Negotiation

Whenever an investment professional proposes to negotiate a term other than price for an investment (including any amendments), he/she must check to see if the investment (or any other position in the issuer’s capital structure) is held (or proposed to be invested) in both retail and institutional accounts.

If the investment is held in both retail and institutional accounts, that person must contact the Chief Compliance Officer for guidance.

- (i) The transaction is generally permitted if all accounts are in the same part of the capital structure and participate in the investment pro rata
- (ii) Alternatively, impose “Chinese Wall” between retail/institutional investment decision-making

One person can negotiate, provided final investment decision still made separately.

May also consult outside counsel and/or the retail board for guidance.

Capital Structure Conflicts

Conflicts will arise in cases when Clients invest in different parts of an issuer’s capital structure, including circumstances in which one or more Clients own private securities or obligations of an issuer and other Clients may own public securities of the same issuer. In addition, one or more Clients may invest in securities, or other financial instruments, of an issuer that are senior or junior to securities, or financial instruments, of the same issuer that are held by or acquired for, one or more other Clients. If such issuer encounters financial problems, decisions related to such securities (such as over the terms of any workout or proposed waivers and amendments to debt covenants) will raise conflicts of interests. For example, a Client holding debt securities of the issuer may be better served by a liquidation of the issuer in which it may be paid in full, whereas a Client holding equity securities of the issuer might prefer a reorganization that holds the potential to create value for the equity holders.

In the event of conflicting interests within an issuer’s capital structure, Tunstall will generally pursue the strategy that Tunstall believes will maximize value for

Tunstall accounts overall (without regard to the nature of the accounts involved or fees received from such accounts):

- This strategy may be recommended by one or more Tunstall investment professionals
- A single person may represent more than one part of an issuer's capital structure
- The recommended course of action will be presented to the Conflicts Committee for final determination as to how to proceed

Tunstall may elect, but is not required, to assign different teams to make recommendations for different parts of the capital structure as the Conflicts Committee determines in its discretion.

In the event any Tunstall personnel serve on the Board of the subject company, they should recuse themselves from voting on any Board matter with respect to a transaction that has an asymmetrical impact on the capital structure.

- Tunstall personnel board members may still make recommendations to the Conflicts Committee
- If any such persons are also on the Conflicts Committee, they may recuse themselves from the Committee's determination

Tunstall may use external counsel for guidance and assistance.

Position Conflicts

Another type of conflict may arise if we cause one Client Account to buy a security and another Client Account to sell or short the same security. Currently, such opposing positions are not permitted within the same account or within any accounts managed by the same portfolio manager without prior trade approval by the Chief Compliance Officer. In addition, transactions in investments by one or more Client Accounts may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of other Client Accounts.

Generally, Tunstall does not purchase, sell or hold securities on behalf of Clients contrary to the current recommendations made to other Client Accounts. However, because certain Client Accounts may have investment objectives, strategies or legal, contractual, tax or other requirements that differ (such as the need to take tax losses, realize profits, raise cash, diversification, etc.), Tunstall may purchase, sell or continue to hold securities for certain Client Accounts contrary to other recommendations. In addition, Tunstall may be permitted to sell securities or instruments short for certain Client Accounts and may not be permitted to do so for other Client Accounts.

Principal Trading

Tunstall and its affiliates through their ownership interest in certain Unregistered Investment Funds may be deemed a *related person* of such entity. In situations where we determine that we are a *related person* by our ownership of greater than 25% of the equity voting securities of such entity, such fund is considered a “*Principal Account*.” Conflicts of interest may be deemed to exist between Principal Accounts and other Client Accounts in so much as our allocations team may be enticed to allocate favorable investment opportunities to Principal Accounts instead of other Clients. To avoid any actual or perceived conflict of interest, allocations to any Principal Account may only be made after all other Client Account orders for the security have been filled.

In addition, to the extent Tunstall may wish to trade an asset from a Client Account to or from a Principal Account (a “Principal Cross Trade”) may be deemed to be conflicted. The SEC has stated that a Principal Cross Trade may only occur if the Client Account on the other side from the Principal Account consents to the trade after a disclosure by Tunstall of all material facts. Tunstall’s compliance manual sets forth procedures for executing both cross trades and principal cross trades.

Cross Trading

In an effort to reduce transaction costs, increase execution efficiency, and capitalize on timing opportunities, Tunstall may execute cross trades, or sell a security for one Client to another Client, without interposing a broker-dealer. All cross trades are subject to the cross trade procedures set forth in Tunstall’s compliance manual. Cross trades, however, may present an inherent conflict of interest because Tunstall represents the interest of the buyer and seller in the same transaction. As a result, Clients involved in a cross trade bear the risk that the price obtained from a cross trade may be less favorable than if the trade had been executed in the open market.

Conflicts Related to Investment Activities

Tunstall may buy or sell the same securities for an affiliate’s account that it buys or sells for a Client or may pursue the same investment strategies for an affiliate’s account as for a Client’s. Tunstall also may receive greater management or performance-based fees or incentives in connection with managing certain Client Accounts than from other Client Accounts. In addition, if Tunstall has discretionary authority to allocate a Client’s assets among pooled vehicles managed by Tunstall, it may have an incentive to allocate assets into vehicles that produce the greatest fees for Tunstall. Each of these situations may give rise to a potential conflict of interest in the allocation of investment opportunities. In addition, Tunstall may have an incentive to resolve conflicts of interest in favor of affiliated Clients over non-affiliated Clients. As previously described, Tunstall adopted has trade allocation

policies and procedures that seek to ensure fair and equitable access to investment opportunities for all accounts.

Trade Aggregation

In some circumstances, Tunstall may seek to buy or sell the same securities contemporaneously for multiple Client Accounts. Tunstall may, in appropriate circumstances aggregate securities trades for a Client with similar trades for other Clients, but is not required to do so. In particular, Tunstall may determine not to aggregate transactions that relate to portfolio management decisions that are made independently for different accounts or if Tunstall determines that aggregation is not practicable, not required or inconsistent with Client direction. When transactions are aggregated and it is not possible, due to prevailing trading activity or otherwise, to receive the same price or execution on the entire volume of securities purchased or sold, the various prices may be averaged or allocated on another basis deemed to be fair and equitable. In addition, under certain circumstances, the Clients will not be charged the same commission or commission equivalent rates in connection with a bunched or aggregated order. The effect of the aggregation may therefore, on some occasions, either advantage or disadvantage any particular Client.

From time to time, aggregation may not be possible because a security is thinly traded or otherwise not able to be aggregated and allocated among all Client Accounts seeking the investment opportunity or a Client may be limited in, or precluded from, participating in an aggregated trade as a result of that Client's specific brokerage arrangements. Also, an issuer in which Clients wish to invest may have threshold limitations or aggregate ownership interests arising from legal or regulatory requirements or company ownership restrictions, which may have the effect of limiting the potential size of the investment opportunity and thus the ability of the applicable Client to participate in the opportunity.

Conflicts Related to Valuation

Tunstall or an affiliate may have a role in determining asset values with respect to Client Accounts and may be required to price an asset when a market price is unavailable or unreliable. This may give rise to a conflict of interest because Tunstall may be paid an asset-based fee on certain Client Accounts. In order to mitigate these conflicts, Tunstall and its affiliates determine asset values in accordance with valuation procedures, which generally are set forth in Tunstall's Compliance Manual.

Conflicts Related to Investments in Affiliated Funds

If permitted by the relevant investment guidelines and applicable law, Tunstall may purchase for Client Accounts interests in other pooled vehicles, including structured products vehicles, unregistered investment funds and retail funds, offered by Tunstall or its affiliates. Investment by a Client in such a vehicle means Tunstall or its affiliates may receive advisory or other fees from the Client in addition to advisory fees charged for managing the Client's Account. The details of any possible fee offsets, rebates or other reduction arrangements in connection with such investments are provided in the documentation relating to the relevant Client Account and/or underlying investment vehicle. In choosing between vehicles managed by Tunstall and those not affiliated with Tunstall, Tunstall may have a financial incentive to choose Tunstall-affiliated vehicles over third parties by reason of additional investment management, advisory or other fees or compensation Tunstall or its affiliates may earn. The potential for fee offsets, rebates or other reduction arrangements may not necessarily eliminate this conflict and Tunstall may nevertheless have a financial incentive to favor investments in Tunstall-affiliated vehicles. If Tunstall invests in an affiliated vehicle, a Client should not expect Tunstall to have better information with respect to that vehicle than other investors may have (and if Tunstall does have better information it may be prohibited from acting upon it in a way that disadvantages other investors).

Additionally, Tunstall's affiliates may sponsor and manage funds and accounts that compete with Tunstall or make investment with funds sponsored or managed by third-party advisers that would reduce capacity otherwise available to Tunstall's Clients.

Other Potential Conflicts

Tunstall may provide services other than advice to a Client, including administration, organizing/managing business affairs, executing and reconciling trades, preparing financials and providing audit support, preparing tax documents, sales and investor relations support, and diligence and valuation services, for additional fees. A potential conflict may arise in such circumstances because Tunstall may be incentivized to favor its Clients that pay such additional fees. However, the individuals who provide advice to Clients do not provide these additional services.

Tunstall may cause a Client to purchase, sell or hold securities of issuers in which Tunstall or its affiliate makes a market or has an equity, debt or other financial interest or securities of issuers or other investments in which Tunstall or its affiliates, its officers or employees or its affiliated broker-dealers and other related persons and their officers or employees have positions or other financial interests.

For example, Tunstall may purchase on behalf of a Client unregistered securities for which an affiliate acts as placement agent, which may result in additional fees to the affiliate or assist the affiliate in meeting its contractual obligations. Tunstall may also cause a Client to borrow money from Tunstall's affiliates, and the affiliates may earn interest or fees on such transactions. Conflicts also may arise if Tunstall implements a portfolio decision or strategy (including a decision to hold an investment) for one Client ahead of, or contemporaneously with, another Client. Such transactions may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of other Client Accounts and could result in one Client receiving more favorable trading results or reduced costs at the expense of the other Client.

Tunstall or its affiliates may invest (or recommend that a Client invest) in securities issued by a Client and may hedge derivative positions by buying or selling securities issued by a Client. A potential conflict may arise in such circumstances because Tunstall may be incentivized to favor its Clients that issue securities, or such clients of its affiliates, over the Client on whose behalf Tunstall is making the investment. In addition to Clients, some of Tunstall's service providers are issuers of securities. Tunstall may determine that it is in the best interests of a Client to purchase securities issued by one of these entities. Tunstall has adopted policies and procedures designed to address conflicts of interest arising from the foregoing activities. Furthermore, it is Tunstall's general policy not to take into account the fact that an issuer is a Client, service provider or vendor when making investment decisions.

Certain qualified employees and affiliates may invest in Clients either through general partner entities or as limited partners, shareholders or otherwise. Tunstall may reduce all or a portion of the management fee, performance-based fee, or other costs and expenses related to the investments by such persons.

Conflicts Related to Information Possessed by or Provided by Tunstall

Certain persons within Tunstall may receive or create information (e.g., proprietary technical models) that is not generally available to the public. Tunstall has no obligation to provide such information to Clients or effect transactions for Clients on the basis of such information and in many cases Tunstall will be prohibited from trading for the same Clients based on the information. Similarly, some Clients may have access to information regarding Tunstall's transactions or views that is not available to other Clients, and may act on that information through accounts managed by persons other than Tunstall. Such transactions may negatively impact other Clients (e.g., through market movements or decreasing availability or liquidity of securities).

Conflicts Related to Tunstall's Relationships with Third Parties

Tunstall or its affiliates may advise third-parties regarding valuation, risk management, transition management and potential restructuring or disposition activities in connection with proprietary or Client investments, which may create an incentive to purchase securities or other assets from those third parties or engage in related activities to bid down the price of such assets, which may have an adverse effect on a Client.

Tunstall's Client may work with pension or other institutional investment consultants and such consultants may also provide services to Tunstall or its affiliates. Consultants may provide brokerage execution services to employees of Tunstall and its affiliates and such employees may attend conferences sponsored by consultants. Tunstall or its affiliates also may be hired to provide investment management or other services to a pension or other institutional investment consultant that works with a Client, which may create conflicts.

Tunstall may in-source or out-source to third parties certain processes or functions, which may give rise to conflicts. There may be conflict when negotiating with third-party service providers if Tunstall bears operational expenses of various Clients to the extent that a given fee structure would tend to place more expense on Clients for which Tunstall has a greater entitlement to reimbursement or less expense on Clients for which Tunstall has lesser (or no) entitlement to reimbursement. Tunstall may provide information about a Client's portfolio positions to unrelated third parties to provide additional market analysis and research to Tunstall and Tunstall may use such analysis to provide investment advice to other Clients.

Tunstall may purchase information (such as periodicals, conference participation, papers, surveys) from professional consultant firms, and such firms may believe they have an incentive to give favorable evaluations of Tunstall to their Clients.

In selecting broker-dealers that provide research or other products or services that are paid with soft dollars, conflicts may arise between Tunstall and a Client because Tunstall may not produce or pay for these benefits but may use brokerage commissions generated by Client transactions. Soft dollar arrangements may also give Tunstall an incentive to select a broker-dealer based on a factor other than Tunstall's interest in receiving the most favorable execution. Conflicts of interest related to soft dollar relationships with brokerage firms may be particularly influential to the extent that Tunstall uses soft dollars to pay expenses it might otherwise be required to pay itself. Furthermore, research or brokerage services obtained using soft dollars or that are bundled with trade execution, clearing, settlement or other services provided by a broker-dealer may be used in such a way that disproportionately benefits one Client over another (e.g., economics of scale or

price discounts). For example, research or brokerage services paid for through one Client's commission may not be used in managing that Client's account. Additionally, where a research product or brokerage service has a mixed-use, determining the appropriate allocation of the product or service may create conflicts. Please refer to the section titled Brokerage Practices for information regarding Tunstall's use of soft dollars.

Conflicts may arise where Tunstall has the responsibility and authority to vote proxies on behalf of its clients. Please refer to the section titled Voting Client Securities for information regarding the policies and procedures governing Tunstall's proxy voting activities.

Employees of Tunstall may serve on the boards of directors and/or investment committees of external organizations, including those organizations that are currently or may become Clients of Tunstall, and such service may present conflicts of interest to the extent the employee become aware of material non-public information and may be unable to initiate some transactions for other Clients while in possession of that information.

Tunstall may conduct business with institutions such as broker dealers or investment banks that invest, or whose Clients invest, in pooled vehicles sponsored or advised by Tunstall or its affiliates, or may provide other consideration to such institutions or recognized agents, and as a result Tunstall may have a conflict of interest in placing its brokerage transactions.

Employees or affiliates of Tunstall or a related person may receive stock options from companies, the securities of which may be held in accounts of Tunstall's Clients, in exchange for providing consulting services, including but not limited to, Advisory services and financial services, for the company.

ITEM 12. BROKERAGE PRACTICES

BROKER-DEALER SELECTION

Tunstall has an obligation to obtain “best execution” for Client transactions considering the execution price and overall commission costs paid and certain other factors. Our trading desk route orders to various broker-dealers for execution at their discretion. Where possible, we deal directly with the dealers who make a market in the securities involved, except in those circumstances where it believes better prices and execution are available elsewhere.

Through periodic meetings of a Brokerage Committee, Tunstall reviews compensation paid to broker-dealers. The meetings include an in-depth review of “best execution reports” which are third party reports that show how Tunstall’s execution compared to its peers. The reports also include information regarding the most used broker-dealers, lowest and highest cost broker-dealers, and additional other information that may be useful in ensuring broker-dealer selection and compensation during the review period was reasonable.

Factors involved in selecting brokerage firms include:

Broker Specific

- ❖ Size of broker
- ❖ Reputation
- ❖ Quality of service
- ❖ Experience
- ❖ Financial stability and creditworthiness
- ❖ Financial statements
- ❖ Regulatory filings
- ❖ Standing in financial community
- ❖ Ability to handle block trades
- ❖ Acceptable record of delivery and payment on past transactions
- ❖ Quality of research and investment information provided

Transaction Specific

- ❖ Best available execution
- ❖ Market knowledge regarding specific industries and securities
- ❖ Access to sources of supply or markets
- ❖ Nature of the market for the security

THE APPROVAL PROCESS

Tunstall's trading desk is only allowed to trade with broker-dealers that are approved by our Brokerage Committee. New broker-dealers are added to Tunstall's approved list of broker-dealers subject to a formal review process which closely analyses all of the above mentioned Broker Specific selection items. The Brokerage Committee will review the requirements and determine what additional procedures or reporting are necessary.

SOFT DOLLARS

In those circumstances where more than one broker-dealer is able to satisfy our obligation to obtain best execution, Tunstall may place a trade order on behalf of Client Accounts with a broker-dealer that charges more than the lowest available commission cost or price. Tunstall may do this in exchange for certain brokerage and research services provided either directly from the broker-dealer or through a third party ("Soft Dollar Arrangements"), such that each of the following is met:

- ❖ Tunstall determines:
 1. The research or brokerage product or service constitutes an eligible brokerage or research service;
 2. The product or service provides lawful and appropriate assistance in the performance of Tunstall's investment decision making responsibilities; and
 3. In good faith the amount of Client commissions paid is reasonable in light of the value of the products or services provided.
- ❖ The brokerage or research is "provided by" a broker-dealer who participates in effecting the trade that generates the commission. Tunstall may not incur a direct obligation for research with a third party vendor and then arrange to have a broker-dealer pay for that research in exchange for brokerage commissions.
- ❖ Tunstall may only generate soft dollars with commissions in agency transactions. Tunstall may not use dealer markups in principal transactions to generate soft dollars. In addition, a trade for a fixed income security or over-the-counter ("OTC") security may be done on an agency basis only if the trader determines that it would

not result in a broker-dealer unnecessarily being inserted between Tunstall and the market for that security.

- ❖ No soft dollars are generated on accounts for which:
 1. Investment discretion resides with the Client (i.e. non-discretionary accounts);
 2. Client mandates restrict or prohibit the generation of soft dollar commissions;
 3. The Client has a directed brokerage arrangement.
- ❖ The brokerage trade placed is for “securities” transactions (and not, for example, futures transactions).

Research services furnished by brokers through whom Tunstall effects securities transactions may be used in servicing all of Tunstall’s accounts, and not all such services may be used in connection with the accounts which paid commissions to the broker providing such services. However, Tunstall seeks to allocate soft dollar benefits to Client Accounts proportionately to the soft dollar credits the accounts generate.

If a Client Account is under the custody of one brokerage firm and another brokerage firm is a selling group member for an underwriting syndicate, such a Client Account may not be able to participate in the purchase of securities in the underwriting because the custodial brokerage firm was not a selling group member. In addition, to the extent that a Client directs brokerage trades to be placed with a particular broker, the allocation of securities transactions may be impacted.

When Tunstall uses Client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Tunstall receives a benefit because the firm does not have to produce or pay for research, products, or services. Consequently, Tunstall may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than Clients’ interest in receiving most favorable execution.

PRODUCTS AND SERVICES ACQUIRED WITH SOFT DOLLARS

All products and services acquired with soft dollars qualify under the Safe Harbor of 28(e) of the Securities Exchange Act of 1934. Some of the types of services and products paid for in the last fiscal year include independent stock research, economic research, small cap energy research, research for short selling ideas, research in specific industry sectors, real time feeds, expert networks, newswires, strategic analysis, and back office systems.

DIRECTED BROKERAGE

Tunstall does not require Clients to direct brokerage, but in those situations where a Client has directed Tunstall to place trades with a particular broker-dealer, Tunstall may not be free to seek the best price, volume discounts or best execution by placing transactions with other broker-dealers. Additionally, as a result of directing Tunstall to place trades with a particular broker-dealer, a disparity in commission charges may exist between the commissions charged to Clients who direct us to use a particular broker-dealer and those Clients who do not direct us to use a particular broker-dealer as well as a disparity among the brokers to which different Clients have directed trades.

TRADE AGGREGATION

Orders of Clients may be combined (or “bunched”) when possible to obtain volume discounts resulting in a lower per share commission. Please see the section entitled Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading for additional information regarding Tunstall’s trade aggregation procedures.

ITEM 13. REVIEW OF ACCOUNTS

ACCOUNT REVIEW

Tunstall has an Investment Committee which, subject to certain size thresholds, is responsible for (i) assessing and approving new issues and new credits and (ii) determining general account suitability for those investments.

In circumstances where the decision to buy is made outside of the Investment Committee (i.e. where limited quantity purchases are allowed or with respect to follow-on investments), allocations will be made by consultation with the Fund Managers, typically from a "Gatekeepers" email request sent by or at the direction of the requesting Portfolio Manager. In determining the aggregate amount to be sought, the Investment Committee and or managers may consider, without limitation, the normal investment amount of the account, the general level of cash on hand and available to be drawn, cash generating activities, withdrawals and other factors affecting the desired purchase amount for Clients. The Investment Committee also may reconsider buy decisions relating to existing Client holdings when there are significant changes in relevant factors relating to the investment, including, but not limited to, the market value of the investment, the business of the issuer or borrower, results of operations, balance sheet and creditworthiness of the issuer or in the case of an equity security, the outlook for the issuer. An initial target allocation is determined by the committee at the time of any buy or sell decision based on appropriate factors (e.g., suitability, cash needs/availability, transaction size, etc.) which is then reconciled and adjusted, as appropriate, by the Allocation Committee prior to the commencement of trading on the next trading day. As noted above, the Company's fiduciary duty requires that it recommend only those investments that are suitable for a Client, based on the Client's particular investment objectives, needs and circumstances. The Company shall be responsible for inquiring and documenting the criteria discussed above and shall develop suitable investment guidelines for each Client.

Traders Book

In certain circumstances the Company's Authorized Traders, as from time to time amended, may determine that an investment is a good short-term opportunity for technical trading reasons. In these cases, an Authorized Trader may propose an investment idea to the Company's Fund Managers who will consider the short-term investment based on the facts known to them and presented by the Authorized Trader. If the Fund Managers agree to participate in the short-term trade, the Authorized Trader may execute the trade for the benefit of those accounts. The trade will then follow the Company's Allocation Policy.

Equities

Investment decisions with respect to equity investments are generally made independently by each applicable Portfolio Manager and allocated solely within the accounts managed by such Portfolio Manager, provided that in certain circumstances, such as debt to equity conversions, such determination may be presented to the Investment Committee in accordance with the process typically applicable to credit investments.

Investments in all Client Accounts are reviewed periodically and are reviewed collectively and individually by multiple reviewers in order to provide multiple perspectives on the accounts. Reviewers evaluate Client objectives along with, among other factors, applicable portfolio restrictions, available cash, particularized investment suitability, investment performance and diversification. In addition to, and not as a substitute for the foregoing, additional reviews are conducted in accordance with Client requests as set forth in the relevant investment advisory contract.

NATURE AND FREQUENCY OF REPORTING

Client reporting varies based on the type of product/vehicle. The following summarizes the reporting provided to each Client. The reports provided to a Client within a particular investment product/vehicle may differ from our description dependent upon strategies of Client needs.

Unregistered Investment Funds – Hedge Funds

Hedge Fund Clients are generally provided a written monthly account statement with their respective net asset value. They also receive a written monthly reporting package, which includes a one-page summary with a fund overview, market commentary, and Tunstall's outlook on the market. In addition, the report includes fund specific details around the portfolio statistics, composition, and attribution.

In addition to the above mentioned reporting, Clients also receive audited written financial statements on an annual basis.

Separate Accounts

Separate Account Clients typically have reporting that is tailored based on their expressed desired format and frequency. However, in general, the reporting Tunstall provides Separate Account Clients mirrors that of Hedge Fund Client written reporting. Reports to Separate Account Clients may be customized to include more detailed statistics, holdings, etc., at the request of the Client since there are generally fewer limitations on the type of information Tunstall can share regarding their investment. In addition to this reporting, Separate Account Clients

have the ability to access the portfolio holdings as they deem necessary through the custodian of the account. An audit may or may not be required depending on the Client.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Employees of NexBank Securities, Inc. are compensated based on their activities in soliciting investors through FINRA and/or SEC registered intermediaries for select funds advised by Tunstall. The NexBank Securities employees are compensated with a base salary and discretionary bonus. Unaffiliated persons may from time to time serve as solicitors for Tunstall and may be compensated for referrals. Any agreement with a solicitor will be in compliance with Rule 206(4)-3 of the Advisers Act.

ITEM 15. CUSTODY

Tunstall does not act as custodian for Client assets. However, under Rule 206(4)-2 under the Advisers Act, Tunstall may be deemed to have custody of Client assets. In the case of Unregistered Investment Funds, such Clients have made arrangements with qualified custodians as disclosed in the relevant offering and other fund documents.

In the case of Separate Accounts, Clients may give Tunstall the power to withdraw funds or securities maintained with a custodian upon request. Without coming to a legal conclusion as to whether Tunstall would have custody over these assets, Tunstall operates as if it does have custody in such situations. Accordingly, such Separate Account Clients will receive account statements from their broker-dealer, bank, or qualified custodian and should carefully review those statements. Separate Accounts Clients should carefully review those statements and, to the extent Tunstall also delivers statements to such Clients, compare the Tunstall statement to the statements of the qualified custodian. For tax and other purposes, the custodial statement is the official record of a Separate Account Client's account and assets.

Tunstall also may be deemed to have custody through its affiliation with NexBank, SSB with respect to Client Accounts. Loans held in those Client Accounts may be agented by NexBank, SSB. As Agent Bank, NexBank, SSB will receive cash or send cash to such Clients for interest or principal payments or borrowings. Client Accounts may also have bank accounts or account control agreements in place at NexBank, SSB.

ITEM 16. INVESTMENT DISCRETION

Tunstall advises a wide variety of Client Accounts and manages assets on a discretionary basis. For a description of limitations Clients may impose on our discretionary authority to manage securities, please see Item 4. Advisory Business.

Before an investment may be made into a Unregistered Investment Fund, Separate Account or other similar structure, the investor must complete the subscription documentation as required by such investment vehicle. Within this documentation, depending on the structure, an authorization document will grant Tunstall power of investment discretion for the account.

ITEM 17. VOTING CLIENT SECURITIES

SECURITIES HELD IN CLIENT ACCOUNTS

Tunstall's proxy voting policy ensures proxies are voted on behalf of each Client Account's securities and in the best economic interests of such Client Account, without regard to the interests of Tunstall or any other Client of Tunstall. Portfolio manager(s) of the applicable Client Account(s) evaluate the subject matter of each proxy and vote on behalf of the Client Account in accordance to the Guidelines set forth in the proxy voting policy.

If the Portfolio Manager(s) determines that Tunstall may have a potential material conflict of interest in voting a proxy, the Portfolio Manager(s) will contact Tunstall's Compliance Department prior to the voting deadline. Tunstall also may determine not to vote proxies with respect to securities of any issuer if it determines it would be in its Client's overall best interests not to vote.

OBTAINING A COPY OF THE POLICY

Clients and prospective Clients can obtain a copy of the proxy voting policy or information on how Tunstall voted proxies by contacting Tunstall's Chief Compliance Officer at (972) 628-4100.

ITEM 18. FINANCIAL INFORMATION

Tunstall does not charge or solicit pre-payment of more than \$1200 in fees per Client six or more months in advance.

Tunstall has non-discretionary authority or custody of Client funds or securities. There is no financial condition that is reasonably likely to occur that would impair our ability to meet contractual commitments to Clients.

**ITEM 19. REQUIREMENTS FOR
STATE-REGISTERED ADVISERS**

Not Applicable.