

FORM ADV PART II

CUMMINGS BAY CAPITAL MANAGEMENT, L.P.

March 31, 2013

300 Crescent Court, Suite 700
Dallas, Texas 75201
(972) 628-4100

This brochure provides information about the qualifications and business practices of Cummings Bay 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 Cummings Bay 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.

ITEM 3. TABLE OF CONTENTS

Item 1.	Cover Page.....	i
Item 2.	Material Changes	ii
Item 3.	Table Of Contents	iii
Item 4.	Advisory Business	1
Item 5.	Fees And Compensation.....	3
Item 6.	Performance-Based Fees And Side-By-Side Management.....	6
Item 7.	Types Of Clients	7
Item 8.	Methods Of Analysis, Investment Strategies, And Risk Of Loss.....	8
Item 9.	Disciplinary Information.....	17
Item 10.	Other Financial Industry Activities And Affiliations.....	18
Item 11.	Code Of Ethics, Participation Or Interest In Client Transactions And Personal Trading.....	22
Item 12.	Brokerage Practices	33
Item 13.	Review Of Accounts.....	37
Item 14.	Client Referrals And Other Compensation	39
Item 15.	Custody.....	40
Item 16.	Investment Discretion.....	41
Item 17.	Voting Client Securities	42
Item 18.	Financial Information	43
Item 19.	Requirements For State-Registered Advisers	44

ITEM 4. ADVISORY BUSINESS

Cummings Bay is an investment adviser registered with the SEC and an alternative fixed income manager since 2010 specializing in long-short equities, with a global geographic reach. Our client base is comprised primarily of retail and unregistered investment funds.

OWNERSHIP OF CUMMINGS BAY

Cummings Bay 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 Cummings Bay.

CUMMINGS BAY REGULATORY ASSETS UNDER MANAGEMENT

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

Total Assets Under Management	\$	66.8
-------------------------------	----	------

By Vehicle Type:

Retail Fund	\$	50.2
Unregistered Investment Fund	\$	16.6

The stated AUM above is managed on a discretionary basis.

OUR ADVISORY SERVICES

Cummings Bay provides investment advisory services in several different strategies and types of investment vehicles. Cummings Bay is an investment sub-adviser to an open end mutual fund registered under the Investment Company Act of 1940, as amended (“1940 Act”), (“Retail Fund”), and adviser to an Unregistered Investment Fund (“Unregistered Investment Fund”, together with “Retail Fund”, “Client Accounts” or “Clients”).

Cummings Bay is an affiliate of Highland Capital Management, L.P. (“Highland”), a SEC registered investment advisor. Employees of Cummings Bay may also be employees of Highland. In addition, Highland may act, pursuant to a servicing agreement, to provide Cummings Bay with a variety of services mentioned herein, including but not limited to; 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

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, Cummings Bay 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, Cummings Bay 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 Cummings Bay's management of Client Accounts. Please see Item 12. Brokerage Practices of this ADV Part 2 for a discussion of Cummings Bay's brokerage practices.

As discussed in Item 4. Advisory Business, Cummings Bay may contract with Highland for the provision of certain services. To provide these services, Highland will charge Cummings Bay a fee. This fee is based off arms-length negotiations and payable by Cummings Bay, 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
Retail Funds	Up to 1.20%	None	Administrative Fee of 0.20%
Unregistered Investment Funds	Up to 1.50%	Up to 20%	None

Certain investment vehicles managed by Cummings Bay may invest in other investment vehicles managed by Cummings Bay 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 Cummings Bay or its affiliates and may pay fees or other compensation accordingly.

FOR RETAIL INVESTORS

Retail Funds

As compensation for our advisory services, Cummings Bay's Retail Fund pays a management fee (accrued daily or weekly) of up to 1.20% annually and payable in arrears. The management fee is based upon the applicable Retail Fund's average daily net assets, which may or may not be net of investment leverage (borrowed capital). This management fee is deducted from the Retail Fund's assets on a monthly basis. Cummings Bay also receives an administrative fee of 0.20% of average daily net assets, which is deducted from the Retail Fund's assets.

In addition to management fees, administrative fees, and brokerage and transaction costs, investors in the Retail Fund will indirectly bear certain other fees and expenses paid by the Retail Fund, including, but not limited to expenses of the independent trustees of the Retail Fund, fees and expenses for legal, fund accounting, transfer agency, custodial and auditing services, interest expense, taxes, and other investment-related costs, insurance premiums, extraordinary and non-recurring and certain other unusual expenses. The Retail Fund's prospectus and statement of additional information include more detailed information about the fees and expenses paid by such Retail Fund.

Cummings Bay will occasionally waive a portion of the fees payable by the Retail Fund, which could result in an indirect benefit to investors in the Retail Fund.

FOR INSTITUTIONAL INVESTORS

Unregistered Investment Funds

As compensation for our advisory services, the Unregistered Investment Fund may pay Cummings Bay management fees of up to 1.50% annually. Management fees are based upon outstanding capital accounts or amounts of committed capital and may be deducted quarterly in advance. Cummings Bay may also deduct performance fees or investment profit allocations in the form of carried interest ranging from 0% 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 Cummings Bay. 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.

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.

OTHER COMPENSATION

Client Accounts may hold significant positions, individually or collectively, in the securities issued by a company. Accordingly, Cummings Bay or an affiliate may have the right to appoint a board member or officer for such company. Cummings Bay 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 Cummings Bay 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, Cummings Bay 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, Cummings Bay 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.

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

As described above, certain Clients may pay Cummings Bay a performance fee or investment profit allocations in the form of carried interest. To the extent that Cummings Bay 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 Cummings Bay 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. In addition, because Cummings Bay manages both accounts with an asset-based fee and accounts with a performance fee or a combination of an asset-based fee and performance fee, potential conflicts of interest may exist. In order to mitigate any such conflicts, Cummings Bay has developed allocation procedures that are intended to result in fair and equitable allocation over time. To mitigate any actual or perceived conflicts of interest, allocation to principal accounts that do not include third party investors may only be made after all other Client Account orders for the security have been filled. A more detailed summary of our allocation guidelines is available to Clients or prospective Clients upon request. In addition, Cummings Bay 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:

- ❖ Retail Funds
- ❖ Unregistered Investment Funds

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

Cummings Bay has minimum account requirements for Unregistered Investment Funds and generally requires a minimum investment of \$1 million. The minimum account size for the Retail Funds varies and is disclosed in the Retail Fund's prospectus and statement of additional information. Minimum account size may be waived for certain investors at Cummings Bay'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

Long/Short Healthcare Strategy

Cummings Bay's long/short Healthcare strategy seeks long-term capital appreciation. The overarching investment strategy is to generate strong risk-adjusted returns over an equity market cycle, trying to deliver solid capital appreciation while minimizing volatility and drawdowns compared to traditional equity markets.

The investment style is a combination of value, growth and event driven investments, with a primary focus on capital preservation, risk management and diversification across market capitalization and sub-sectors within the Healthcare sector. The value component of the portfolios are seek situations where the downside is limited, due to asset value or free cash flow generation and deep discount to private market acquisition history. In these scenarios, often the company is facing temporary fundamental challenges which Cummings Bay believes will be overcome, and the market is overly discounting the ability to overcome such challenges, leading to undervaluation of the stock. For the growth component, Cummings Bay looks for companies with strong barriers to entry, visibility to sales and/or earnings, reasonable valuations for the growth being generated, high incremental margins, low capital intensity, and recurring revenue. We also invest in companies where we believe the growth rates will be higher or more sustainable than the street believes, even if the business itself does not have all the above characteristics. On the event driven side, we look for value creating fundamental changes to a business, where the risk profile and downside potential of a position can be defined and is minimal. These can include, but are not limited to regulatory approvals of healthcare products, changes in management, divestiture of business units or the sale of the Company in whole.

We find companies through fundamental value and growth screens, technical screens, input from our internal advisory board, academic and clinical relationships, research firms, medical and regulatory consultants, conversations with management teams of public companies, industry conferences, and other buy-side contacts.

Long/Short Equity Strategy

Cummings Bay's long/short equity strategy generally involves a fundamental, bottom-up stock picking style. Investments will be made in value and growth stocks with a domestic focus. The strategy aims to generate equity-like returns over an entire market cycle with less volatility, lower drawdowns, and lower correlation compared to the equity markets. There is generally a strong focus on preservation of capital and risk management. In addition to purchasing or taking "long" positions in equity securities, the strategy will include short selling, investments in derivatives, exchanged-traded funds, or fixed income securities.

Equity securities of U.S. or non-U.S. issuers in which Cummings Bay may invest include common stocks, preferred stocks, convertible securities, depositary receipts, warrants to buy common stocks and "derivatives" on any of the foregoing securities. The exposure of the various funds will vary over time based on assessments of market conditions and other factors.

In managing each strategy, Cummings Bay may make and hold investments in addition to those set forth herein in accordance with the applicable offering documents.

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. Cummings Bay's sourcing advantage and robust information and research expertise allows 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 Cummings Bay's investment process.

Cummings Bay'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 Cummings Bay'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 Cummings Bay 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 regarded 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 Cummings Bay 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

Cummings Bay 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 Cummings Bay anticipates purchasing at a later date; or (viii) act for any other reason that the Cummings Bay deems appropriate. For a variety of reasons, Cummings Bay 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

Cummings Bay 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 Cummings Bay may not be able to sell such investments at prices that reflect Cummings Bay'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 Cummings Bay and other factors. Furthermore, the nature of Cummings Bay'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 Cummings Bay 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 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 Synthetic Securities

Cummings Bay 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, Cummings Bay 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 Cummings Bay 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 with 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. Cummings Bay will not perform independent credit analyses of the counterparties, any such counterparty, or an entity guaranteeing such counterparty, individually or in the aggregate.

Leverage

When deemed appropriate by Cummings Bay 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, Cummings Bay may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, Cummings Bay 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 price of fixed income securities falls. If a Client holds a fixed income security to maturity, the change in its price before maturity will have little impact on the Client's 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 either 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, Cummings Bay 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, Cummings Bay 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, Cummings Bay 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

Cummings Bay and its advisory affiliates manage various strategies and some strategies are managed by more than one adviser. For this reason certain Clients of Cummings Bay (or clients of Cummings Bay's advisory affiliates) may be referred to and enter into advisory agreements with such affiliated adviser. Neither Cummings Bay 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, Cummings Bay may use the services of affiliates to services its' clients. Cummings Bay 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 Cummings Bay own a majority interest in NexBank Capital, Inc., whose wholly owned subsidiaries include NexBank Securities, Inc. ("NexBank Securities"), NexBank, SSB, and Barrier Advisors, Inc. Cummings Bay and NexBank Capital, Inc. may be deemed to be under common control and may share certain employees in limited capacities. Some employees of Cummings Bay may also be registered, licensed, and employed by NexBank Securities.

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 Cummings Bay.

NexBank, SSB

NexBank, SSB, a state chartered bank, is an affiliate of Cummings Bay 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. Cummings Bay 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 Cummings Bay Accounts a variety of commercial loans for which

NexBank will receive compensation. The federal and state regulatory authorities with jurisdiction over Cummings Bay 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 Cummings Bay and may provide services and restructuring advice to portfolio companies of Client Accounts for compensation.

INVESTMENT ADVISER AFFILIATES

A related person of Cummings Bay 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 Cummings Bay because the owners of Cummings Bay own substantially all of Acis Capital Management, L.P.

Falcon E&P Opportunities GP, LLC

Falcon E&P Opportunities GP, LLC, which is undergoing 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, may be deemed to be under common control with us because the owners of Cummings Bay own substantially all of Granite Bay Advisors, L.P.

Highland Capital Management, L.P.

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

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.

Tunstall Capital Management, L.P.

Tunstall Capital Management, L.P., a SEC-registered investment adviser, may be deemed to be under common control with us because James Dondero controls the Tunstall 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 Cummings Bay and parent company of Governance Re Ltd., a captive insurance agency issuing directors & officers' liability insurance and employment practice liability insurance to Cummings Bay and affiliates. A conflict of interest exists due to the fact that Governance Re Ltd. may receive premiums from portfolio companies of Client Accounts. Cummings Bay may be incentivized to choose Governance RE 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 Cummings Bay 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

Cummings Bay 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. Cummings Bay or our affiliates may also furnish operational consulting services to certain portfolio companies of Cummings Bay's Clients. The time spent by Cummings Bay 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. Cummings Bay 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 Cummings Bay 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 Cummings Bay'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

Cummings Bay 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 Cummings Bay and other “access person”. It is designed to ensure compliance with legal requirements of Cummings Bay’s standard of business conduct.

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

STANDARDS OF CONDUCT

Cummings Bay 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 Cummings Bay 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 Cummings Bay. Cummings Bay 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 Cummings Bay’s proprietary and confidential information, and must not disclose that information unless the necessary approval is obtained. Cummings Bay 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

Cummings Bay forbids any access person from trading, either personally or on behalf of others, including Clients advised by Cummings Bay, 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 with SEC rules, access persons are required to disclose all of their personal brokerage accounts and holdings within 10 days of initial employment with Cummings Bay, within 10 days of opening a new account, and annually thereafter. Additionally, no later than the last day of the month after 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

Cummings Bay 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 Cummings Bay 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. Cummings Bay's determination as to which factors are relevant, and the resolution of such conflicts, will be made using Cummings Bay's best judgment, but in its sole discretion. In resolving conflicts, Cummings Bay 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

Cummings Bay acts as investment adviser to Clients that have similar investment objectives and pursue similar strategies. Certain investments identified by Cummings Bay may be appropriate for multiple Clients. Investment decisions for such Clients are made by Cummings Bay in its best judgment, but in its sole discretion, taking into account such factors as Cummings Bay 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 Cummings Bay did not have a conflict of interest among Clients.

In effecting transactions, it is not always possible, or consistent with the investment objectives of Cummings Bay'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 Cummings Bay's ability to act for a Client and may reduce performance. Regulatory and legal restrictions (including restrictions on aggregated positions) may also restrict the investment activities of Cummings Bay and result in reduced performance.

Cummings Bay 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 Cummings Bay'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, Cummings Bay will generally pursue the strategy that Cummings Bay believes will maximize value for Cummings Bay 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 Cummings Bay 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

Cummings Bay 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 Cummings Bay 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.

- Cummings Bay 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

Cummings Bay may use external counsel for guidance and assistance.

Principal Trading

Cummings Bay 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*."

To the extent Cummings Bay 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 Cummings Bay of all material facts. Cummings Bay'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, Cummings Bay 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 Cummings Bay's compliance manual. Cross trades, however, may present an inherent conflict of interest because Cummings Bay 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

Cummings Bay 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. Cummings Bay 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 Cummings Bay has discretionary authority to allocate a Client's assets among pooled vehicles managed by Cummings Bay, it may have an incentive to allocate assets into vehicles that produce the greatest fees for Cummings Bay. Each of these situations may give rise to a potential conflict of interest in the allocation of investment opportunities. In addition, Cummings Bay may have an incentive to resolve conflicts of interest in favor of affiliated Clients over non-affiliated Clients. As previously described, Cummings Bay 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, Cummings Bay may seek to buy or sell the same securities contemporaneously for multiple Client Accounts. Cummings Bay 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, Cummings Bay may determine not to aggregate transactions that relate to portfolio management decisions that are made independently for different accounts or if Cummings Bay 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

Cummings Bay 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 Cummings Bay may be paid an asset-based fee on certain Client Accounts. In order to mitigate these conflicts, Cummings Bay and its affiliates determine asset values in accordance with valuation procedures, which generally are set forth in Cummings Bay Compliance Manual.

Conflicts Related to Investments in Affiliated Funds

If permitted by the relevant investment guidelines and applicable law, Cummings Bay may purchase for Client Accounts interests in other pooled vehicles, including unregistered investment funds and retail funds, offered by Cummings Bay or its affiliates. Investment by a Client in such a vehicle means Cummings Bay 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 Cummings Bay and those not affiliated with Cummings Bay, Cummings Bay may have a financial incentive to choose Cummings Bay-affiliated vehicles over third parties by reason of additional investment management, advisory or other fees or compensation Cummings Bay or its affiliates may earn. The potential for fee offsets, rebates or other reduction arrangements may not necessarily eliminate this conflict and Cummings Bay may nevertheless have a financial incentive to favor investments in Cummings Bay-affiliated vehicles. If Cummings Bay invests in an affiliated vehicle, a Client should not expect Cummings Bay to have better information with respect to that vehicle than other investors may

have (and if Cummings Bay does have better information it may be prohibited from acting upon it in a way that disadvantages other investors).

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

Other Potential Conflicts

Cummings Bay 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 Cummings Bay 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.

Cummings Bay may cause a Client to purchase, sell or hold securities of issuers in which Cummings Bay or its affiliate makes a market or has an equity, debt or other financial interest or securities of issuers or other investments in which Cummings Bay 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, Cummings Bay 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. Cummings Bay may also cause a Client to borrow money from Cummings Bay's affiliates, and the affiliates may earn interest or fees on such transactions. Conflicts also may arise if Cummings Bay 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.

Cummings Bay 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 Cummings Bay may be incentivized to favor its Clients that issue securities, or such clients of its affiliates, over the Client on whose behalf Cummings Bay is making the investment. In addition to Clients, some of Cummings Bay's service providers are issuers of securities. Cummings Bay may determine that it is in the

best interests of a Client to purchase securities issued by one of these entities. Cummings Bay has adopted policies and procedures designed to address conflicts of interest arising from the foregoing activities. Furthermore, it is Cummings Bay'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. Cummings Bay 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 Cummings Bay

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

Conflicts Related to Cummings Bay's Relationships with Third Parties

Cummings Bay 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.

Cummings Bay's Client may work with pension or other institutional investment consultants and such consultants may also provide services to Cummings Bay or its affiliates. Consultants may provide brokerage execution services to employees of Cummings Bay and its affiliates and such employees may attend conferences sponsored by consultants. Cummings Bay 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.

Cummings Bay 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 Cummings Bay bears operational expenses of

various Clients to the extent that a given fee structure would tend to place more expense on Clients for which Cummings Bay has a greater entitlement to reimbursement or less expense on Clients for which Cummings Bay has lesser (or no) entitlement to reimbursement. Cummings Bay may provide information about a Client's portfolio positions to unrelated third parties to provide additional market analysis and research to Cummings Bay and Cummings Bay may use such analysis to provide investment advice to other Clients.

Cummings Bay 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 Cummings Bay 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 Cummings Bay and a Client because Cummings Bay may not produce or pay for these benefits but may use brokerage commissions generated by Client transactions. Soft dollar arrangements may also give Cummings Bay an incentive to select a broker-dealer based on a factor other than Cummings Bay'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 Cummings Bay 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 Cummings Bay's use of soft dollars.

Conflicts may arise where Cummings Bay 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 Cummings Bay's proxy voting activities.

Employees of Cummings Bay 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 Cummings Bay, 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.

Cummings Bay 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 Cummings Bay or its affiliates, or may provide other consideration to such institutions or recognized agents, and as a result Cummings Bay may have a conflict of interest in placing its brokerage transactions.

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

ITEM 12. BROKERAGE PRACTICES

BROKER-DEALER SELECTION

Cummings Bay 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, Cummings Bay 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 Cummings Bay’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

Cummings Bay's trading desk is only allowed to trade with broker-dealers that are approved by our Brokerage Committee. New broker-dealers are added to Cummings Bay'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.

Cummings Bay generally has discretion to select brokers for its Clients that are pooled investment vehicles, such as, Retail Funds. For the Retail Funds, the Board of Trustees/Directors of each Retail Fund is ultimately responsible for the oversight of the Retail Fund and has the authority to direct or limit the brokers that may be used for the particular Retail Fund.

SOFT DOLLARS

In those circumstances where more than one broker-dealer is able to satisfy our obligation to obtain best execution, Cummings Bay 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. Cummings Bay 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:

- ❖ Cummings Bay 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 Cummings Bay'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. Cummings Bay 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.
- ❖ Cummings Bay may only generate soft dollars with commissions in agency transactions. Cummings Bay 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 Cummings Bay 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 Cummings Bay effects securities transactions may be used in servicing all of Cummings Bay’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, Cummings Bay 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 Cummings Bay uses Client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Cummings Bay receives a benefit because the firm does not have to produce or pay for research, products, or services. Consequently, Cummings Bay 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

Cummings Bay does not require Clients to direct brokerage, but in those situations where a Client has directed Cummings Bay to place trades with a particular broker-dealer, Cummings Bay 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 Cummings Bay 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 Cummings Bay’s trade aggregation procedures.

ITEM 13. REVIEW OF ACCOUNTS

ACCOUNT REVIEW

Cummings Bay 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 Cummings Bay'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.

Retail Funds

Cummings Bay uses Boston Financial Data Services services to create and distribute appropriate written account information to its investor base. No reports are created and distributed directly from Cummings Bay to the investor. Periodically, however, Cummings Bay may hold conference calls to discuss performance and events that are material to the Retail Fund industry.

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 Cummings Bay. The NexBank Securities employees are compensated with a base salary and discretionary bonus. Unaffiliated persons may from time to time serve as solicitors for Cummings Bay 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

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

Cummings Bay also may be deemed to have custody through its affiliation with NexBank, SSB with respect to Client Accounts other than Retail Funds. 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 (other than Retail Funds) may also have bank accounts or account control agreements in place at NexBank, SSB.

ITEM 16. INVESTMENT DISCRETION

Cummings Bay advises a variety of Client Accounts and manages assets on a discretionary. For a description of limitations Clients may impose on our discretionary authority to manage securities, please see the section titled Our Advisory Business.

Before an investment may be made into an Unregistered Investment Fund the investor must complete the subscription documentation as required by such investment vehicle. Within this documentation, depending on the structure, will be an authorization granting Cummings Bay power of investment discretion for the account.

ITEM 17. VOTING CLIENT SECURITIES

SECURITIES HELD IN CLIENT ACCOUNTS (OTHER THAN RETAIL FUNDS)

Cummings Bay'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 Cummings Bay or any other Client of Cummings Bay. 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 Cummings Bay may have a potential material conflict of interest in voting a proxy, the portfolio manager(s) will contact Cummings Bay's Compliance Department prior to the voting deadline. Cummings Bay 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.

SECURITIES HELD IN RETAIL FUNDS

In voting proxies for securities held by a Retail Fund, Cummings Bay may consider only the interests of the Retail Fund and will vote such proxies in the best economic interests of such Retail Fund. Cummings Bay may resolve the conflict of interest by following the proxy voting recommendation of a disinterested third party such as ISS, Glass Lewis, or another institutional proxy research firm.

OBTAINING A COPY OF THE POLICY

Clients and prospective Clients can obtain a copy of the proxy voting policy or information on how Cummings Bay voted proxies by contacting Cummings Bay's Chief Compliance Officer at (972) 628-4100. In addition, each Retail Fund's proxy voting record for the most recent 12-month period ended June 30 is available (i) without charge, upon request, by calling (877) 665-1287 and (ii) on the SEC's website (<http://www.sec.gov>). Information as of June 30 each year will generally be available on or about the following August 31.

ITEM 18. FINANCIAL INFORMATION

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

Cummings Bay has 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.