

**Form ADV Part 2A: Firm Brochure**

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Nokota Management, LP is an investment adviser that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Nokota Management, LP. If you have any questions about the contents of this brochure, please contact us at (212) 291-6700. 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 Nokota Management, LP also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

There have been no material changes to this brochure since our last annual update, other than to update the amount of assets under management by Nokota Management, LP to \$1,063,124,863.

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## **1. Advisory Business**

Nokota Management, LP (the “firm,” “we,” “us,” or “our”) is an investment adviser which was co-founded in 2011 by Matthew Knauer and Mina Faltas, the firm’s principal owners.

We provide investment management services to Nokota Capital Master Fund, L.P., a private pooled investment “master fund” in a master-feeder structure that has a domestic feeder fund and an offshore feeder fund. Our client is Nokota Capital Master Fund, L.P., because the feeder funds place all of their investable assets in it and all investment activities and investment discretion is conducted at the master fund level where we act as investment manager to the master fund.

The assets of the client are managed in accordance with the objectives and policies described in the respective offering documents of the feeder funds, but the client may not otherwise impose restrictions on investing in certain securities or types of securities.

We do not participate in any wrap-fee programs.

As of January 1, 2013, we managed \$1,063,124,863 in client assets on a discretionary basis. We do not manage any assets on a non-discretionary basis.

## **2. Fees and Compensation**

This brochure is only delivered to qualified purchasers and therefore does not contain our advisory service fee schedule.

Our firm receives a management fee based on a percentage of assets under management, calculated and payable quarterly in advance. Investors admitted into a feeder fund other than on the first day of a calendar quarter are subject to a prorated management fee. We do not provide management fee refunds to investors who withdraw or redeem from the funds prior to the end of a quarter. The management fee is charged to the client, and no separate management fee is charged at the feeder fund level.

Our affiliate, Nokota Capital GP, LLC, as general partner of the client, receives performance-based compensation based on a percentage of each feeder fund investor’s annual net realized and unrealized profits at the end of each year or upon a withdrawal or redemption if prior to the end of the year (but only on the amount withdrawn or redeemed), subject to a high water mark limitation. No separate performance-based compensation is charged at the feeder fund level.

Our fees are generally non-negotiable, but we have the discretion to waive all or a portion of the management fee and/or the performance-based compensation.

Each fund bears all of its own organizational and operational expenses, including, without limitation:

- legal fees (including settlement costs);
- costs of any litigation or investigation involving the fund's activities;
- filing fees and expenses;
- accounting costs (including tax preparation and audit expenses);
- administration costs;
- costs associated with reporting and providing information to investors;
- withholding and/or transfer taxes; and
- other out-of-pocket expenses.

Each of the domestic fund and the offshore fund also bears its pro rata share of the master fund's expenses.

The master fund also bears all of its investment-related expenses where applicable, including, without limitation:

- proxy expenses;
- expenses related to underwriting and private placements;
- brokerage commissions;
- interest on debit balances or borrowings;
- custodial fees;
- the fees and expenses of risk and portfolio management systems; and
- expenses incurred in connection with locating, evaluating and implementing potential investments, including software subscriptions and other research-related expenses

For more information on brokerage transactions and costs, please see Section 9: Brokerage Practices.

The feeder funds may also charge an early withdrawal or redemption reduction ranging from 3% to 5% of the amount withdrawn or redeemed, which amount will be retained by the fund for the benefit of the remaining investors.

Neither our firm nor any of our principals or employees receives any transaction-based compensation for the sale of securities or other investment products.

### **3. Performance-Based Fees**

Our affiliate, Nokota Capital GP, LLC, as general partner of the client, receives performance-based compensation from the client, as described in Section 2: Fees and Compensation. No separate performance-based compensation is charged at the feeder

fund level. We do not have any clients that are not charged performance-based compensation. The existence of the performance-based compensation may create an incentive for us to make riskier or more speculative investments.

#### **4. Types of Clients**

We provide investment management services to Nokota Capital Master Fund, L.P., a “master fund” in a master-feeder structure that has a domestic investment fund and an offshore investment fund. Our client is Nokota Capital Master Fund, L.P., because the feeder funds place all of their investable assets in it and all investment activities and investment discretion is conducted at the master fund level where we act as investment manager to the master fund.

To invest in any of the feeder funds, we generally require a minimum investment of \$25,000,000, although we have the discretion to accept less.

This brochure is not an offer to invest in our funds.

#### **5. Method of Analysis, Investment Strategies and Risk of Loss**

Method of Analysis/Investment Strategy:

We use fundamental analysis to identify both absolute and relative pricing inefficiencies globally across the capital structure (credit, equity, derivative, and other financial instruments). We intend to achieve our investment objective with the combination of the required discipline of distressed/value investing complemented by low volatility portfolio construction.

We invest in companies globally that operate in a wide range of industries. To increase the performance potential of the client while mitigating general market risk and volatility, we employ a hedged approach, taking short positions as well as long positions. We also expect to use modest leverage.

As part of our fundamental approach to investment selection, investment personnel perform a number of tasks that may include, as appropriate: interviews with a company’s management team; background checks on key executives of the management team; discussions with a company’s suppliers, customers and competitors; analysis of the assets on a company’s balance sheet or an underlying asset-backed security or structured product; a detailed review of a company’s products and services; and consultation with industry professionals and advisors. In addition, investment personnel analyze a company’s historical financial information in comparison to its internal revenue growth,

free cash flow generation, consistency of earnings growth, and return on invested capital. This investigation and analysis are used to develop a multi-year financial model forecasting a company's earnings and cash flows and prospective growth rates.

Because of the possibility of unlimited loss when taking short positions we give careful consideration to the risk of loss should the short prove incorrect.

We expect to use modest leverage to both magnify and mitigate the effects of our investment selections. We may obtain leverage on behalf of the client including, without limitation: borrowing money against long positions (margin debt) in order to purchase additional long positions; borrowing securities in connection with short positions; purchasing options; entering into swap arrangements or other contracts to provide long exposure; entering into securities lending arrangements and repurchase financing transactions.

We aim to diversify the client's portfolios as a whole and also within broad industry groups and geographic regions. Diversification by industry and geography is intended to be accomplished through the broad definition of the client's universe of potential investments.

We invest in equity, debt and credit instruments on behalf of the client. Debt instruments may be publicly traded or privately issued obligations and may include, among other things: senior secured floating rate loans, second-lien loans, fixed rate obligations, bonds and other debt obligations including high-yield bonds, bridge loans and debt obligations of stressed, distressed and bankrupt issuers and credit derivatives. In addition, we may invest in non-corporate asset-backed securities, structured products, preferred instruments and derivatives thereof, to the extent we believe that such investments are predicated on our core competencies in valuation, financial modeling, and industry research. These instruments may be backed by mortgages, credit-card or auto loans, or other claims, and may be purchased in tranches that range from very junior to very senior in their recovery rights. We may also make use of over-the-counter and exchange-traded instruments relating to equities and equity indices (including, without limitation, derivative instruments such as options, swaps, and futures), principally as a means of quickly and temporarily adjusting the risk profile of the client. The client will also hold cash and cash equivalents.

From time to time, we may invest in non-U.S. currencies, sovereign fixed income securities or physical commodities, or derivatives related to such instruments. These instruments will typically be considered as a hedge against inflation, currency, or other risks, but may be purchased to execute an investment thesis as well. We also may acquire equity securities that are not publicly traded. These securities may be issued by private companies or may be privately issued securities of public companies.

Investing in any securities involves a risk of loss that our client and the investors in our feeder funds must be prepared to bear.

The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in our investment strategies. Prospective investors are urged to consult their professional advisers and review the legal documents for each feeder fund and the client before deciding to make an investment.

*Limited Operating History.* Our firm and the funds have a limited operating history for prospective investors to evaluate prior to making an investment in the feeder funds.

*Substantial Changes in Regulation.* Regulation of securities markets has undergone substantial change in recent years, and is expected to continue to change. There can be no assurance that we will be able, for financial reasons or otherwise, to comply with future laws and regulations.

*Limited Rights of Investors.* Substantially all decisions with respect to the management of the funds are made exclusively by us. Investors have no right or power to take part in the management of the funds. We also make all of the trading and investment decisions of the client. In the event of our withdrawal or bankruptcy, generally the funds will be liquidated.

*No Distributions.* Since the funds do not generally intend to pay distributions, an investment in the funds is not suitable for investors seeking current distributions of income.

*Leverage.* Subject to applicable margin and other limitations, we may borrow on the client's behalf in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the funds' portfolios would be amplified. Interest on borrowings will be a portfolio expense for the client and will affect the operating results of the funds. Also, the client could potentially create leverage via the use of instruments such as options and other derivative instruments. The client may, under some circumstances, be required to liquidate assets to service its interest and principal obligations. If loans to the client are collateralized with assets which decrease in value, the client may be obligated to pledge additional collateral to a lender in the form of cash or securities to avoid liquidation of the existing collateral. Moreover, if the assets under management are insufficient to pay the principal of, and interest on, the debt when due, the client could sustain a total loss of its investments. The rights of lenders to the client to receive payments of interest on and repayments of principal of their loans, and their rights in and to the funds' assets, will be senior to the rights of the client's investors.



*Interest Rate Fluctuations.* The prices of portfolio investments tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to the client of borrowed securities and leveraged investments.

*Short Sales.* We may enter into transactions on behalf of the client, known as short sales, in which we sell a security the client does not own in anticipation of a decline in the market value of the security. Short sales that are not made against the box theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. We may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, we might have difficulty purchasing securities to meet the client's short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet the client's short sale obligations at a time when fundamental investment considerations would not favor such sales.

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

*Counterparty Creditworthiness.* In addition to the exchange-traded and exchange-cleared options contracts, we may also invest in the over-the-counter market in contracts that

involve dealing with counterparties and their ability to meet the terms of the contracts. In particular, we may enter into repurchase agreements, forward contracts and swap arrangements, each of which expose the client to credit risk to the extent that the counterparty defaults on its obligations to perform under the relevant contract.

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

*Special Situation Investments.* We may invest on behalf of the client in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the client may be required to sell its investments at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which we may invest, there is a potential risk of loss by the client of its entire investment in such companies.

*Illiquid Holdings.* The investments made by the client may be very illiquid, and consequently the client may not be able to sell such investments at prices that reflect our assessment of their value or the amount paid for such investments by the client. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the client and other factors. Furthermore, the nature of the client's investments, especially those in financially distressed companies, may require a long holding period prior to profitability. In the event the client makes distributions of securities in kind, such securities could be

illiquid or subject to legal, contractual and other restrictions on transfer. A number of the asset classes that we describe below can be deemed illiquid holdings.

*Mortgage-Backed and Asset-Backed Securities.* Mortgage-backed securities represent an interest in a pool of mortgages. When market interest rates decline, more mortgages are refinanced and the securities are paid off earlier than expected. Prepayments may also occur on a scheduled basis or due to foreclosure. When market interest rates increase, the market values of mortgage-backed securities decline. At the same time, however, mortgage refinancings and prepayments slow, which lengthens the effective maturities of these securities. As a result, the negative effect of the rate increase on the market value of mortgage-backed securities is usually more pronounced than it is for other types of fixed-income securities. Asset-backed securities are structured like mortgage-backed securities, but instead of mortgage loans or interests in mortgage loans, the underlying assets may include, but are not limited to, such items as motor vehicle installment sales or installment loan contracts, leases of various types of real and personal property, and receivables from credit card agreements. The ability of an issuer of asset-backed securities to enforce its security interest in the underlying assets may be limited. Asset-backed securities are subject to many of the same risks as mortgage-backed securities.

*Potential Involvement in Litigation.* As a result of the client's activities generally, including possible investments in distressed investments and the possibility that we may participate in restructuring activities, it is possible that the client may become involved in litigation, including litigation respecting creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against the funds and ultimately judgments may be rendered against the client for which the client does not carry insurance. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of the client. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and functional operating control of a debtor.

*Fixed Income Securities.* Fixed-income securities provide periodic returns and the eventual return of the principal at the end of the term. The value of fixed-income securities changes in response to interest rate fluctuations and market perception of the issuer's ability to pay off its obligations. Fixed-income securities are subject to the risk that their issuer may be unable to make interest or principal payments on its obligations.

*Distressed Debt and Securities:* Distressed debt refers to bonds and other forms of securities issued by a company that is undergoing bankruptcy or reorganization or is

likely to do so in the near future. Distressed bonds will often have low ratings, as discussed above. The debt securities of distressed corporations are sometimes overly discounted by the market, as risk adverse investors tend to sell securities due to an actual or potential bankruptcy filing. These situations can create attractive buying opportunities for investors specializing in valuing distressed securities. We may purchase these instruments on behalf of the client with the anticipation that the company will emerge from its financial difficulties and become profitable again. In the interim, the purchase of the debt may allow the shareholders or bondholders to participate actively in the process of reorganizing the company as it attempts to position itself for a return to profitability. The risk of investing in distressed debt and securities is that the subject company's projected performance never takes place. When this is the case, the securities bought on behalf of the client may become worth less than the amount initially paid for them, resulting in a loss. In addition, when investing in distressed debt, the amount and timing of payments, if any, by the debtor can be uncertain. Receiving late or incomplete loan payments can adversely affect the client's return.

Significantly, on the client's behalf, we may participate more actively in the affairs of a distressed issuer than is typical of investors. A heightened level of involvement may make the client more vulnerable to litigation risks or prevent them from being able to sell their securities at certain times.

*Convertible Bonds:* Convertible bonds are bonds that can be converted into or exchanged for a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. The holder of a convertible bond typically receives interest or a dividend until the security matures or is converted or exchanged. Convertible bonds are unique in that they generally (1) have higher yields than common stocks, but lower yields than comparable non-convertible securities; (2) are less subject to fluctuation in value than the underlying security due to their fixed-income characteristics; and (3) provide potential for capital appreciation if the market price of the underlying security increases.

The value of a convertible security is a function of its investment value and its conversion value. A convertible security's investment value is determined by its yield in comparison to yields of other securities of comparable maturity and quality that do not have a conversion privilege. Changes in interest rates influence a convertible security's investment value. Investment values decline as interest rates increase and vice versa. The issuer's credit standing and other factors may also affect the convertible security's investment value. A convertible security's conversion value is determined by the market price of the underlying security. If the conversion value is low relative to the investment value, then the investment value principally governs the price of the convertible security. As the market price of the underlying security approaches or exceeds the conversion

price, the conversion value will increasingly influence the price of the convertible security.

Convertible securities may be convertible only upon the occurrence of certain contingencies. If these contingencies fail to occur, this could also adversely affect the client's ability to achieve its investment objective.

Convertible bonds may be subject to redemption at the issuer's option. If the client holds a convertible bond that its issuer redeems, this could adversely affect the client's ability to achieve its investment objective. Convertible securities may be convertible only upon the occurrence of certain contingencies. If these contingencies fail to occur, this could also adversely affect the client's ability to achieve its investment objective.

*Risks of Investing in REIT Securities and Real Estate Securities.* We may invest in securities issued by entities which qualify as real estate investment trusts, also known as REITs and in securities of non-REIT issuers which are primarily engaged in real estate activities, such as real estate development and management. As a result, some of the client's investments will be subject to the risks incident to investments in REITs and companies engaged in real estate activities, generally, including: (i) potential environmental liabilities, the risk of uninsured losses, the perceptions of prospective tenants of the safety, convenience and attractiveness of the properties, the ability of the owner to provide adequate management, maintenance and insurance, the expenses of periodically renovating, repairing and re-letting spaces, and increasing operating costs (including mortgage payments, real estate taxes, insurance, maintenance costs and utilities) which may not be passed through to tenants; (ii) risks of owning properties through joint ventures or partnerships which may render a REIT or a company engaged in real estate activities unable to exercise sole decision-making authority and subject the REIT or other company to the risk that a joint venturer or partner will act in a manner contrary to its best interests; (iii) general real estate investment considerations, such as the effect of local economic and other conditions on property cash flows and values, the need to re-let space upon the expiration of current leases, dependence on major tenants and the possibility of tenant defaults, the ability of a property to generate revenue sufficient to meet debt service payments and other operating expenses, periodic excessive real estate development, and the illiquidity of real estate investments, all of which may affect the REIT's or other company's ability to make expected distributions to its stockholders; (iv) possible increases in interest rates, which may lead prospective purchasers of real estate equity securities, as well as other classes of equities, to demand higher annual yields, and which would adversely affect the market price of such securities; (v) borrowing risks; (vi) relative illiquidity of real estate investments which will tend to limit the ability of a REIT or non-REIT issuer to vary its holdings promptly in response to changes in local economic or other conditions; and (vii) risks associated

with the management by REITs of properties owned by third parties, including the risk that management contracts (which are typically cancelable without notice) will be terminated by the entity controlling the property or in connection with the sale of such property, that contracts may not be renewed upon expiration or may not be renewed on terms consistent with current terms, and that the rental revenues upon which management fees are based will decline as a result of general real estate market conditions or specific market factors. Investments in REITs are also subject to special risks, including, without limitation, restrictions on ownership, increased volatility and tax risks.

*General Risks of Investments in Collateralized Debt Obligations* (also known as CDOs). The value of CDOs generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO, also known as CDO collateral, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of CDOs must rely solely on distributions on the CDO collateral or proceeds thereof for payment in respect thereof. If distributions on the CDO collateral are insufficient to make payments on the CDOs, no other assets will be available for payment of the deficiency and, following realization of the CDOs, the obligations of such issuer to pay such deficiency generally will be extinguished.

Issuers of CDOs may acquire interests in loans and other debt obligations by way of sale, assignment or participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the loan or debt obligation; however, its rights can be more restricted than those of the assigning institution.

CDO collateral may consist of high yield debt securities, loans, high grade IG, high yield bonds, high yield loans, asset-backed securities, and other instruments, which often are rated below investment grade (or of equivalent credit quality). High yield debt securities generally are unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The lower ratings of high yield securities and below investment grade loans reflect a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments may be speculative.

*Arbitrage Strategies Risk.* Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. Examples of arbitrage strategies include event-driven arbitrage, merger arbitrage, capital structure arbitrage, convertible arbitrage, fixed income or interest rate

arbitrage, statistical arbitrage, debt spread arbitrage and index arbitrage. We may employ any one or more of these arbitrage strategies. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the client is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable spreads, which can also be identified, reduced or eliminated by other market participants.

*Small to Medium Capitalization Companies.* We may invest a portion of the client's assets in the stocks of companies with small- to medium-sized market capitalizations. While we believe these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

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

*Currency Risk.* The client invests capital in, among other things, securities denominated in currencies other than the U.S. dollar and in other financial instruments the prices of which are determined with reference to currencies other than the U.S. dollar. The client values its securities and other capital in U.S. dollars and may hedge its currency exposure. However, to the extent that currency risk is unhedged, the value of the client's capital will fluctuate with the U.S. dollar exchange rate, as well as with price changes of the client's investments in various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the client makes investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of the client's securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the client's non-U.S. dollar securities. The client also may utilize forward currency contracts

and options to the hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

*Investment in Distressed Companies.* The fact that certain of the companies in whose securities the client may invest are in transition, out of favor, financially leveraged or troubled or potentially troubled, and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation, means that their securities are likely to be particularly risky investments, although they also may offer the potential for correspondingly high returns. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the client's investment in any instrument, and some of the obligations and preferred stock in which the client invest may be less than investment grade.

*Investing in Loans Generally.* When investing in any type of loan, there is always the risk that a borrower made a material misrepresentation or omission in the process of obtaining the loan. This inaccuracy or incompleteness can adversely affect the valuation of the collateral underlying the loan and/or can adversely affect the client's ability to perfect or effectuate a lien on the collateral securing the loan.

*Lending Risks.* We may purchase on behalf of the client assignments and participations in syndicated leveraged loans. Such activities entail the following risks:

- *General Credit Risks.* The client may be exposed to losses resulting from default and foreclosure. The value of the underlying collateral, if any, the creditworthiness of the borrower and the priority of the lien are each of great importance (although the client may invest in subordinate or second priority liens). There is no assurance that we will correctly evaluate the value of the assets collateralizing the loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the client has an investment, the client may lose all or part of the amounts advanced to the borrower. We cannot guarantee the adequacy of the protection of the client's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, we cannot assure that claims may not be asserted that might interfere with enforcement of the client's rights. In the event of a foreclosure, the client or an affiliate of the client may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan,



resulting in a loss to the client. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

- *Lower Credit Quality Loans.* There are no restrictions on the credit quality of the client's loans. Loans invested in by the client may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans in which the client may invest may have large uncertainties or major risk exposures to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than better quality loans, but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans. In certain instances, loans may lack liquid markets.
- *Equitable Subordination.* Lenders to companies operating in workout modes or under Chapter 11 of the Bankruptcy Code are, in certain circumstances, subject to certain potential liabilities. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions.
- *Fraud.* Of paramount concern in purchasing loans is the possibility of material misrepresentation or omission on the part of borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the client to perfect or effectuate a lien on the collateral securing the loan. We will rely upon the accuracy and completeness of representations made by borrowers to the originator of such loans to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

*Bank Loans and Participations.* There are special risks associated with investments in bank loans and participations in bank loans, which include (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws, (ii) so-called lender-liability claims, (iii) environmental liabilities that may arise with respect to collateral securing the obligations and (iv) limitations on the ability of the client to directly enforce its rights with respect to participations. Successful claims by third parties arising from these and other risks, absent gross negligence or willful misconduct, will be borne by the client.

*High Yield/High Risk Securities.* We may invest in securities on behalf of the client which are rated below investment-grade (hereinafter referred to as lower rated securities) or which are unrated, but deemed equivalent by us to those rated below investment-grade. These instruments generally offer a higher yield to maturity than that available from higher grade issues, but typically involve greater risk. Lower rated and unrated securities are especially subject to adverse changes in general economic conditions, to changes in the financial condition of their issuers and to price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of these instruments may experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the values and liquidity of these securities especially in a market characterized by only a small amount of trading. Perceived credit quality in this market can change suddenly and unexpectedly, and may not fully reflect the actual risk posed by a particular lower rated or unrated security.

*Bank Debt, Trade Claims and other Senior Securities.* Loans and other securities at the most senior part of the capital structure have increasingly become packaged for resale, allowing an investor to buy senior securities from a bank or directly from a corporation, or in the secondary market.

*Credit Default Swaps.* A credit default swap (“CDS”) is a swap contract in which the buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff if the underlying credit instrument (typically a bond or loan) experiences a negative credit event, for example, a default, restructuring, or bankruptcy. Generally an investor would buy a CDS if it expects the underlying credit to deteriorate and would sell a CDS if it expects the underlying credit to improve.

CDS contracts have been compared with insurance, because the buyer pays a premium and, in return, receives a sum of money if one of the events specified in the contract occurs. However, there are a number of differences between CDS and insurance, for example:

- the buyer of a CDS does not need to own the underlying security or other form of credit exposure; in fact the buyer does not even have to suffer a loss from the negative credit event. In contrast, a buyer of traditional insurance, must have an insurable interest such as owning a debt obligation;
- the seller of a CDS need not be a regulated entity;

- the seller of a CDS is not required to maintain any reserves to pay off buyers, although major CDS dealers are subject to bank capital requirements;
- in the United States, CDS contracts are generally subject to mark to market accounting and to collateral calls.

*Capital Structure Arbitrage.* We may seek opportunities created by differential pricing of various instruments issued by one corporation, such as traditional bonds and convertible bonds or equity. Convertible bonds are convertible into shares of equity, and this stock-option component has a calculable value. The theoretical value of the whole instrument is the value of the traditional bonds plus the extra value of the option feature. If the difference between the convertible and the non-convertible bonds becomes excessive, then we may take a position in the expectation that such spread will converge. Similarly, there may be value discrepancies between traditional bonds and equities.

*Unsecured and Subordinated Investments.* Although we will emphasize secured and senior obligations, distressed securities purchased by the client will be subject to certain additional risks to the extent that such securities may be unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Moreover, such securities may not be protected by financial covenants or limitations upon additional indebtedness.

*Reportable Positions.* We may obtain a position on behalf of the client in any public company that requires it to make filings concerning its holdings with the Securities and Exchange Commission and may become subject to other regulatory restrictions that could limit the ability of the client to dispose of its holdings at the times and in the manner we would prefer. Violations of these regulatory requirements could subject the client to significant liabilities.

*Participation on Committees.* In some situations, we may conclude that the client's interests would be best served by joining committees made up of holders of securities. If we join such a committee, we may be deemed to have duties to other investors represented by the committee and may, by our actions on the committee, expose the client to liability from such other investors who disagree with our actions. Also, participation by us on such committees may cause the client to be considered an insider for purposes of the federal securities laws and may restrict the client's ability to trade in certain securities.

*Defaulted Securities.* We may invest in the securities of companies involved in bankruptcy proceedings, reorganizations and financial restructurings, and may have a more active participation in the affairs of the issuer than is generally assumed by an investor. This may subject the client to litigation risks or prevent the client from

disposing of securities. In a bankruptcy or other proceeding, the client as creditor may be unable to enforce their rights in any collateral or may have their security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors. While we will attempt to avoid taking the types of actions that would lead to equitable subordination or creditor liability, there can be no assurance that such claims will not be asserted or that the client will be able to successfully defend against them.

*Post-reorganization Securities.* Post-reorganization securities typically entail a higher degree of risk than investments in securities of companies which have not undergone a reorganization or restructuring. Moreover, post-reorganization securities can be subject to heavy selling or downward pricing pressure after the completion of a bankruptcy reorganization or restructuring. If our evaluation of the anticipated outcome of an investment situation should prove incorrect, we could experience a loss.

*Investments in Undervalued Assets.* We may invest in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the client's investments may not adequately compensate investors for the business and financial risks assumed.

The client may be forced to sell, at a substantial loss, assets that are not, in fact, undervalued. In addition, the client may be required to hold such assets for a substantial period of time before realizing their anticipated value. During this period, a portion of the client's assets would be committed to the investments purchased, possibly preventing the client from investing in other opportunities. In addition, the client may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

*Lender Liability Considerations and Equitable Subordination.* In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. While believed to be unlikely, because of the nature of certain of the client's investments, the client could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called equitable subordination. Because of the nature of certain of the client's investments, the client could be subject to claims from creditors or shareholders of an obligor that client's investments issued by such obligor that are held by the client should be equitably subordinated. A number of the client's investments may involve investments in which the client would not be the lead creditor. Accordingly, it is possible that lender liability or equitable subordination claims affecting the client's investments could arise without the direct involvement of the client.

*Convertible Instruments.* A convertible instrument is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Convertible debt instruments have characteristics of both fixed income and equity investments. We may invest in convertible instruments that have varying conversion values. If a convertible instrument held by the client is called for redemption, the client will be required to permit the issuer to redeem the instrument, or convert it into the underlying stock, and will hold the stock to the extent that we determine that such equity investment is consistent with the investment objective of the client.

*Put and Call Options on Specific Investments.* We may purchase exchange-listed and over-the-counter put and call options on specific investments on behalf of the client. In addition, the client may write and sell covered or uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying investment at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying investment at a stated exercise price at any time prior to the expiration of the option. Options written by the client may be wholly or partially covered (meaning that the funds hold an offsetting position) or uncovered. Options on specific investments may be used by the client to seek enhanced profits with respect to a particular investment. Alternatively, they may be used for various defensive or hedging purposes. For example, they may be used to protect against

a future adverse change in the market price of particular portfolio investments held by the client without requiring a sale of the investments.

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

## **6. Disciplinary Information**

Neither our firm, nor any of our directors, officers or principals has been involved in any criminal or civil actions in a domestic, foreign or military court.

Neither our firm, nor any of our directors, officers or principals has been involved in any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our firm, nor any of our directors, officers or principals has been involved in any self-regulatory organization proceedings.

## **7. Other Financial Industry Activities and Affiliations**

Neither our firm, nor any of our directors, officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of our directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

Our firm and our affiliate, Nokota Capital GP, LLC, have sponsored certain private investment funds, including a U.S. limited partnership and a Cayman Islands exempted company, both of which invest through a master-feeder structure, placing their assets in a Cayman Islands limited partnership. Nokota Capital GP, LLC serves as the general partner of the domestic feeder fund and the client. Our funds do not have independent management and we selected the firm providing the two independent directors of the offshore fund. Although this arrangement may give us heightened control and discretion over our funds, we manage any potential conflicts of interest by adhering to the investment strategy and investment allocation policy discussed in each feeder fund's offering documents.

We do not currently recommend nor do we intend to select other investment advisers for our client.

## **8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

To help ensure that each of our employees conducts his or her affairs, including personal securities transactions, in a manner to avoid serving his or her own personal interests ahead of the interests of our client and to avoid conflicts of interest, we have adopted a code of ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, which includes policies and procedures governing personal trading activities of our employees. A copy of the code of ethics is available upon request to our client and any investor or prospective investor in our feeder funds.

From time to time we may deem it appropriate to cross positions internally. There may be a conflict of interest because a cross trade is not independently negotiated. We use an independent pricing mechanism to ensure objectivity. Prior to execution of an internal cross transaction, the employee recommending the trade will be responsible for preparing a brief memorandum setting forth the reasons why the transaction is suitable for the client involved (e.g., differences in invested positions, investment objectives, risk tolerances, tax situations, etc.). The memorandum shall be signed by the officer or employee under whose direction it was prepared and initialed by the Compliance Officer and copies shall be maintained in the appropriate client files. No brokerage commission, fee (except for customary transfer fees) or other remuneration shall be paid in connection with any cross transaction.

We have established a policy that our employees shall not execute a transaction in a security for an account in which an employee has a beneficial interest or exercises investment discretion if an order for a client account for the same security, same way, at

the same price (whether limit or market order) remains unexecuted. Such prohibition shall remain in effect for four days after we have executed the transaction.

Employees may not purchase or sell, directly or indirectly: (i) any security in which he or she has, or by reason of such transaction will acquire, any direct or indirect beneficial ownership and which, to his or her actual knowledge at the time of such purchase or sale, is being purchased or sold by our firm on behalf of a client account; or (ii) any related security to a security being actively considered for purchase or sale by our firm, such as puts, calls, other options or rights in such security.

In order to prevent any potential conflicts of interest, we also require all employees and partners to comply with a pre-clearance procedure before placing an order for the purchase or sale of any publicly-traded equity security (other than mutual funds and exchange traded funds). Such pre-clearance procedure requires all employees and partners to obtain approval from both (i) the compliance officer and (ii) at least one of Matthew Knauer and Mina Faltas before placing any trade order. Such approval may be withheld in the sole discretion of the compliance officer, Matthew Knauer and Mina Faltas. No employee or partner may acquire any securities in an initial public offering or in an offering that is exempt from under Section 4(2) or Section 4(6) under the Securities Act of 1933, as amended, or pursuant to Rule 504, Rule 505, or Rule 506 under the Securities Act of 1933, as amended, and similar offerings under comparable foreign law without prior approval from both (i) the Compliance Officer and (ii) at least one at least one of Matthew Knauer and Mina Faltas, which approval may be withheld in the sole discretion of the compliance officer, Matthew Knauer and Mina Faltas. Consideration will be given to whether or not the opportunity should be reserved for the Client Accounts.

Our employees and related persons may not buy or sell securities for their own account at or about the same time they buy or sell the same securities for client accounts.

## **9. Brokerage Practices**

We have complete discretion in deciding which broker-dealers to use. In selecting broker-dealers and determining the reasonableness of their commissions for the client's transactions, we seek to obtain best execution by taking into account any combination of the following factors:

- Financial stability and capital adequacy (e.g., satisfaction of FINRA's minimum net capital requirements etc.);
- Long term indebtedness normally should not exceed 50% of total equity;



- Whether the broker is a wholly owned subsidiary of a larger financial institution and/or whether its trades are cleared through a stronger third party (i.e. a party with significant financial backing);
- Regulatory history and arbitration (e.g., Disclosure Reporting Page, monetary fines or settlements);
- Execution capability (e.g., speed of execution, history of securing best price and competitive transaction charges);
- The broker's operational efficiency including the broker's ability to complete the transaction satisfactorily through to clearance, confirmation and delivery;
- The value of the research provided and other research assistance first calls and providing useful ideas and market color;
- Access to underwritten offerings and secondary markets;
- Responsiveness and qualified, professional and diligent personnel (e.g., responsiveness);
- Direct telephone lines from our trading desks to broker-dealers;
- Institutional references from senior traders;
- Trading experience (e.g., the broker's expertise in effecting difficult trades in less liquid, smaller capitalized, and more closely held issues);
- A broker's willingness to enter into difficult transactions, including transactions in which the broker's capital is put at risk;
- Providing access to issuers;
- Facilitating analyst visits and access to road shows;
- Whether the broker possesses special abilities that have been demonstrated to add value to client portfolios (e.g., broker-dealer provides anonymity and has a reputation for integrity when handling transactions and maintaining confidentiality);
- The facilities that the broker makes available (including trading networks, access to multiple floor brokers and markets, and significant resources for positioning as principals).

We are not required to weigh any of the above factors equally. We need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost. Since commission rates are negotiable globally,

selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. The client bears the brokerage commissions and other charges related to the client's investment transactions.

1. Research and Soft Dollar Benefits. We may receive research products or services from brokers that fall within the safe harbor established by Section 28(e) of the Securities Exchange Act of 1934 in connection with our allocation of portfolio brokerage. We are authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokers that provide us with research products or services or to pay higher commissions to brokers if we determine such prices or commissions are reasonable in relation to the overall services provided. Research products or services so received are in addition to and not in lieu of services required to be performed by us, and our fees charged to the client are not reduced as a consequence of the receipt of such supplemental research information. When we use client markups or markdowns to obtain research products and services, our firm receives a benefit because we do not have to produce or pay for the research products and services. The availability of these benefits may influence us to select one broker-dealer rather than another to perform services for the client, based on our interest in receiving the products and services instead of on our client's interest in receiving the best execution prices. Obtaining these benefits may cause our client to pay higher fees than those charged by other brokers. We currently have only one client. If we have multiple clients in the future, we may not allocate soft dollar benefits to each client account in proportion to the soft dollar credits each client generates, but the services received from our use of soft dollars would generally benefit all of our clients.

The research services that broker-dealers might provide us with include:

- written information and analyses concerning specific securities, companies or sectors,
  - market, financial and economic studies and forecasts,
  - statistics and pricing or appraisal services,
  - discussions with research personnel and
  - invitations to attend conferences or meetings with management or industry consultants.
2. Brokerage for Client Referrals. We may consider investor referrals in selecting broker dealers. At times, we may have an incentive to select a broker-dealer

based on our interest in receiving referrals, rather than on our client's interest in receiving most favorable trade execution.

Trade Aggregation and Allocation. We currently have only one client. If we have multiple clients in the future, we will seek to aggregate the purchase or sale of the securities for the clients and then allocate the securities purchased (or sold) among the clients so that each client receives the same terms. We will also seek to execute orders for all participating clients on an equitable basis. If we decide to invest at the same time for more than one client, we will seek to place combined orders for all these clients simultaneously, and, if all these orders are not filled at the same price, we average the prices paid where applicable. Similarly, if an order on behalf of more than one client cannot be fully executed under current market conditions, we generally will seek to allocate the trade among the different participating clients on a pro rata basis. Generally, the client (and any future client accounts) can benefit when we aggregate trades because we get volume discounts on execution costs. It is important to recognize, that if we are to manage additional client accounts or in the future, situations may occur where one client could be disadvantaged because of the investment activities we conduct for other client accounts.

## **10. Review of Accounts**

We engage in active management and frequent transactions on behalf of the client and, accordingly, review our transactions, positions and cash balances on a daily basis.

We have engaged an outside administrator to prepare monthly unaudited reports reviewing the client and each feeder fund's performance for such month. Audited financial reports prepared by independent auditors are distributed to each fund's investors on an annual basis.

## **11. Client Referrals and Other Compensation**

Our firm does not, and none of our principals or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our client.

While our compliance manual permits entering into arrangements with a third party to refer investors for a fee so long as all arrangements are executed in accordance with Rule 206(4)-3 of the Advisers Act, we currently have no such arrangements in place, nor do we intend to do so at this time.

## **12. Custody**

While it is our practice not to accept or maintain physical possession of our client's assets, we are deemed to have custody of its assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because we have the authority to access our client's funds and deduct fees and expenses from its accounts.

In order to comply with Rule 206(4)-2, we utilize the services of a bank or a qualified custodian (as defined under Rule 206(4)-2) to hold all of our client's assets. In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit the client and the feeder funds at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all investors in the funds within 120 days after the end of the fiscal year.

## **13. Investment Discretion**

### Scope of Authority

Our firm accepts discretionary authority to manage the client's assets. This means that we have the authority to determine, without obtaining specific consent from the investors in the feeder funds, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in the feeder funds' offering document.

### Procedures for Assuming Authority

Before accepting their subscriptions for interests, we provide all potential investors in our feeder funds with an offering document, which sets forth in detail the investment strategy and program. By completing our subscription documents to acquire an interest in one of our feeder funds, investors give us complete authority to manage the capital contributed in accordance with the offering document received.

## **14. Voting Client Securities**

### Proxy Voting Policies and Procedures

We have the authority to vote client securities and have implemented proxy voting policies and procedures in accordance with securities laws and our fiduciary obligations to our client. We usually hold an immaterial ownership of any company, and therefore do not typically vote on proxies. However, we will vote on proxies in important cases where we feel our vote will have an impact. In these instances, we always strive to vote client proxies in a manner consistent with each client's best interests. Our officers, directors and employees will not be influenced by outside sources whose interests conflict with our client's interests.

We determine how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. We vote in a manner that we believe reasonably furthers the best interests of the client and is consistent with the client's investment philosophy as set forth in the relevant investment management documents.

We will generally vote in line with each company's management recommendations, unless we determine that the proposals do not follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders and/or present compensation plans that are commensurate with enhanced manager performance and market practices.

Upon request, our client (and investors in the feeder funds) can obtain a copy of our proxy voting policies and procedures. Upon request, our client (and investors in the feeder funds) can obtain information from us regarding proxy votes that are made on behalf of the client.

#### Potential Conflicts of Interest

If a proxy vote creates a material conflict between our interests and the interests of a client, we will resolve the conflict before voting the proxies. We will either disclose the conflict to the client and obtain consent or take other steps designed to ensure that a decision to vote the proxy was based on our determination of the client's best interest and was not the product of the conflict.

### **15. Financial Information**

We do not require nor do we solicit prepayment of more than \$1,200 of fees per client, six months or more in advance.

We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our client.

We have never been the subject of a bankruptcy petition.