



BANDERA PARTNERS LLC 50 BROAD STREET SUITE 1820 NEW YORK NY 10004

## **Bandera Partners LLC**

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

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This brochure provides information about the qualifications and business practices of Bandera Partners LLC. If you have any questions about the contents of this brochure, please contact us at (212) 232-0116. 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 Bandera Partners LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

None

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## **Item 4 – Advisory Business**

### **Overview of Bandera**

Bandera Partners LLC (“Bandera”) provides investment advisory services to Bandera Master Fund L.P. (“Master Fund”), and its U.S.-based feeder fund, Bandera Value Fund LLC (“Onshore Fund”). Bandera makes all of the Master Fund’s investment decisions. Bandera Partners Management LLC, an affiliate of Bandera, serves as the general partner of the Master Fund (the “General Partner”).

Bandera Offshore Value Fund Ltd., a Cayman Islands exempted company (the “Offshore Fund”), is an additional feeder fund that invests in the Master Fund. Participation in the Offshore Fund by investors that are individual retirement accounts subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, is “significant.” The Offshore Fund is structured to invest substantially all of its assets in the Master Fund, and the Offshore Fund is not advised by Bandera or any of its related persons. Accordingly, for purposes of this Part 2A and for purposes of Items 5.C., 5.F., 7.B. and 9.B.(2) and Section 7.B.(1) of Schedule D of Part 1 of Bandera’s Form ADV, the Offshore Fund is not included as a “client” of Bandera.

The Master Fund, the Onshore Fund and the Offshore Fund are collectively referred to herein as “Funds.” Presently, neither Bandera nor the General Partner has any advisory clients other than the Funds.

Bandera was formed on July 13, 2006 and began providing investment advisory services to the Master Fund in November 2006.

Bandera does not tailor its advisory services to the individual needs of clients and does not generally accept client restrictions on investing in certain types of securities.

### **Advisory Services Provided by Bandera**

Bandera, on behalf of the Master Fund, primarily will seek to make investments that will achieve long-term growth of capital, with dividends and income being secondary considerations.

Bandera will seek to commit capital as a long-term shareholder to companies whose market capitalizations are significantly below their intrinsic value, and to make investments in special situations, such as spin-offs and reorganizations. Bandera’s strategies will be implemented using fundamental analysis of companies and financial statements. This fundamental analysis yields Bandera’s estimate of a company’s intrinsic value, which is necessarily measured using a combination of objective and subjective factors. Some of those factors include an assessment of the company’s business model and markets, the quality of management and other risks associated with the projected future stream of earnings. The Master Fund will typically hold between five and thirty stocks at any given time. The Master Fund will invest in companies of any market capitalization.

A key part of Bandera’s approach is to concentrate its analytical resources on companies that are likely to be undervalued. Bandera will use quantitative and qualitative techniques to screen for target groups of potentially undervalued companies for the Master Fund. Bandera’s quantitative screens and models incorporate traditional value variables such as price/earnings and price/cash flow ratios, along with other variables relating to cash flow, credit, debt and financial stability, and certain proprietary variables. Bandera will seek investments that it believes present a low risk of permanent capital loss.

Bandera undertakes intensive research on companies that are candidates for inclusion in the Master Fund. In particular, Bandera examines in detail the financial statements and business model of a company, as

well as a company's industry as a whole. Companies chosen from this process for inclusion in the Master Fund's portfolio generally will be perceived by Bandera to be trading at a significant discount to their intrinsic value, be reasonably financially stable, possess some unique advantage or advantages over other companies in their industry (*e.g.*, they have a legal or geographic product protection, they are the lowest-cost producer or they have a superior product), and have the potential for significant appreciation in their stock price over time. Bandera particularly will seek stable and growing companies that generate significant amounts of free cash flow.

Bandera will also seek out special situations, such as opportunities arising from corporate mergers, spin-offs, bankruptcies, restructurings, distressed debt and other events, to incorporate into the Master Fund's portfolio. Bandera particularly seeks special situations that are minimally correlated with the direction of the broader securities markets. Up to 100% of the Master Fund's portfolio may be invested at any time in special situations, and the Master Fund may from time to time use leverage, short selling and warrants, options and other securities to take advantage of special situations. Such investments may also be in thinly traded, low-priced and low market value securities that carry risks of illiquidity and delisting.

Bandera may take an activist stance in selected investments where Bandera believes that activism may greatly increase profit potential and the process is not already being driven by trustworthy and sophisticated investors aligned with the Master Fund. Activist investments can be time-consuming and often require meeting with company management and other investors, sending public letters to company management and boards of directors, and on some occasions, becoming directors of companies.

Although Bandera generally will seek to invest for the long term (with the exception of most special situations), Bandera may sell securities regardless of how long the securities have been held, especially in cases where the fundamentals of a company have changed. Bandera may also change the investment strategies of the Master Fund if it believes that such change is in the interest of the Master Fund.

Bandera will sell a stock when it reaches or exceeds Bandera's estimate of its intrinsic value. Bandera's purchase and sale decisions will generally be made without regard to tax ramifications, but it expects to implement a mid- to low-turnover, long-term holding strategy. The Master Fund primarily invests in the securities of U.S. and non-U.S. companies but may also engage in other transactions to the extent deemed appropriate by Bandera, including, without limitation, transactions involving closed-end and open-end mutual fund shares, risk arbitrage, private equity and control situations, "going private" issuers, bonds, options and cash equivalents, private placements and direct or indirect investments in intellectual property assets or litigation claims, as well as transactions involving (i) foreign currency forward contracts, options on foreign currencies and foreign currencies related thereto and (ii) commodity futures contracts, options on commodity futures contracts, and commodities. The Master Fund may also sell securities short and purchase securities on margin. Certain of the above investments may be illiquid and/or difficult to value.

Bandera may cause the Master Fund to depart from its normal investment policies—for instance, by allocating all or substantially all of the Master Fund's assets to cash reserves—in response to extraordinary market, economic, political or other conditions.

### **Ownership of Bandera**

Bandera's principal owners (the "Principals") are its three Managing Partners, Jefferson P. Gramm, Gregory E. Bylinsky and Andrew G. Shpiz.

### **Client Assets Under Management**

The net asset value of the client assets managed by Bandera on a discretionary basis as of February 28, 2013 was approximately \$246 million. Bandera does not currently manage any client assets on a non-discretionary basis.

## Item 5 – Fees and Compensation

The below table details the fees, expenses and compensation borne by the Funds.

Description	Amount	When Paid
Brokerage and transaction costs and investment-related expenses	As incurred by the Master Fund. The Onshore Fund and the Offshore Fund will bear their <i>pro rata</i> share of all such costs and expenses incurred in connection with the Master Fund's investment activities.	As billed
Management fee	The Master Fund pays Bandera a monthly management fee equal to 1/12th of one percent (approximately 1% annually) of the net asset value of the Master Fund as of the last business day of each calendar month (before giving effect to any month-end redemptions and distributions), adjusted for certain amounts indicated below. For purposes of calculating the management fee, the net asset value of the Master Fund is determined before reduction for the management fee and performance-based fees accrued or payable as of the calculation date. In certain circumstances, management fees will be prorated. The Onshore Fund and the Offshore Fund will bear their <i>pro rata</i> share of the management fees.	Monthly in arrears
Administration fees and expenses	Fees payable to the Master Fund administrator by the Master Fund are charged at the administrator's customary rates for the performance of the administrative services and the provision of corporate offices. Fees of the administrator vary with the size of the Master Fund, subject to an annual minimum fee. In addition, the Funds will reimburse their respective administrators for certain out of-pocket expenses. The Onshore Fund and the Offshore Fund will bear their <i>pro rata</i> share of such fees and expenses.	Monthly in arrears
Legal, audit, and ongoing offering expenses, banking fees, and operational and extraordinary fees and expenses.	As incurred by the Funds. The Onshore Fund and the Offshore Fund will bear their <i>pro rata</i> share of all of such ongoing fees and expenses of the Master Fund, as well as such entity's own fees and expenses.	As billed

Bandera, in its sole and absolute discretion, may waive, reduce or grant rebates of the management fees chargeable with respect to certain investors.

Advisory fees are not paid in advance by the Funds.



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

Investors in the Funds are charged profit allocations (referred to herein generally as performance-based fees) in connection with their investments in the Funds. Performance-based fees are calculated and charged at the Master Fund level and are subject to recouping a “loss carryforward.” Performance-based fees accrue monthly and are paid annually in the year following the year of accrual, to the extent earned. If an investment is redeemed prior to the end of a calendar year, a performance-based fee will be computed and charged with respect to such investment as though the redemption date were the end of the then current calendar year. The rate at which performance-based fees are charged to investors in the Funds varies from 15% to 20% of such investor’s *pro rata* share of the Master Fund’s net new profits, depending on the class of interests held by such investor. In addition, performance-based fees charged to certain “seed investors” holding classes of securities that are no longer offered by the Funds are subject to a “hurdle” (such that performance-based fees may not be charged to such investors’ until net new profits have been achieved for any given year in excess of the hurdle).

Performance-based fees accrue on net new profits after the deduction of management fees, but before the deduction of performance-based fees. The Master Fund’s net new profits for any period includes all net realized and unrealized investment gains or losses plus dividend, interest and other investment income less interest, operating and other expenses incurred by the Funds (including management fees). Performance-based fees are determined individually with respect to each investor in the Funds.

The performance-based fees are paid to the “allocation partners” of the Master Fund, including the General Partner.

The performance-based fees are described in greater detail in the confidential offering memoranda of the Onshore Fund and the Offshore Fund.

Bandera has no side-by-side management arrangements.

**Item 7 – Types of Clients**

Bandera currently provides investment advice solely to pooled investment vehicles, including the Master Fund.

Investors in the Onshore Fund and the Offshore Fund include individuals, entities, trusts, investment companies and individual retirement accounts. The minimum initial investment for interests in the Onshore Fund and the Offshore Fund is generally \$1,000,000 and subsequent additional investments must be at least \$100,000, although Bandera may in its discretion reduce such amounts (generally to not less than \$250,000 with respect to the minimum initial investment).

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

### **Analysis Methods and Investment Strategies**

Information regarding the methods of analysis and investment strategies of Bandera employed in providing investment advisory services to the Master Fund is described above in Item 4.

### **Material Risk Factors**

Investment in the Funds carries the risk of loss of some or all of an investor's investment therein. Investment in the Funds should be considered speculative and should only be made by sophisticated persons, after consulting with independent qualified sources of legal, financial and tax advice. No investor should subscribe for more than the investor can comfortably afford to lose. Accordingly, investors in the Funds should be prepared to risk the loss of some or all of their investments in the Funds.

#### **Market Risk**

The performance of the Master Fund is dependent in part on the performance of the stock market. Specifically, the Master Fund is subject to market risk, including the possibility that stock prices overall will decline over short or even long periods. Stock market gyrations may lead to losses in the Master Fund, and losses may occur frequently and over a significant period of time. Market movements are difficult to predict and are influenced by many factors. Bandera believes that investment in the Funds is appropriate only for investors with a longer-term investment horizon, and Bandera discourages investments by short-term investors.

The Master Fund is also subject to investment style risk, which is the possibility that returns from value stocks will trail returns from other asset classes or the overall stock market. Each type of stock tends to go through cycles of doing better—or worse—than common stocks in general. These periods have, in the past, lasted for as long as several years.

Because of the nature of the Master Fund's investment activities, the results of the Funds' operations may fluctuate from month to month and from period to period. Accordingly, investors should understand that the results of a particular period may not necessarily be indicative of results in future periods.

#### **Economic Conditions**

The success of the Master Fund's investment activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances, governmental or regulatory intervention in capital markets, currency exchange controls, failures of major financial institutions, as well as changes in the financial condition of the issuers of the Master Fund's investments and the Master Fund's brokers and dealers and other custodians and counterparties due to other factors. Such conditions may affect the level and volatility of securities prices and the liquidity of the Master Fund's investments. Volatility or illiquidity in the financial markets could impair the Master Fund's profitability or result in losses. The Master Fund may maintain substantial investment positions that can be adversely affected by volatility and illiquidity in the financial markets; the larger the positions, the greater the potential for loss. Moreover, economic slowdowns or downturns may lead to losses.

#### **Concentration Risk**

Because the Master Fund will generally maintain no more than twenty investments at any one time, the Master Fund is subject to the risk that its performance may be hurt disproportionately by the poor performance of relatively few investments.

### Purchases of Equity Value Investments

Bandera will purchase equities that it believes are significantly undervalued. There can be no assurance that securities that Bandera believes are undervalued will in fact be undervalued, or that undervalued securities will increase in value.

### Securities of Distressed Companies

Bandera may invest in securities of companies that have become financially distressed as a result of unexpectedly or chronically poor operating results, an excessive debt burden or a substantive liability. For example, if a company in financial distress announces a restructuring plan, either in the form of a court-supervised bankruptcy or insolvency proceeding, or an out-of-court restructuring of its indebtedness and other liabilities, and Bandera believes that a successful restructuring or reorganization is likely to be completed and that the value of the new securities to be received, plus cash or any other consideration, if any, exceeds the current market price of such securities, Bandera may purchase such distressed company's securities. Securities or other assets or investments acquired by Bandera may have to be held for extended periods of time.

Proposed reorganizations of distressed companies may not be consummated, or may be significantly delayed, for several reasons, including: opposition by the management or shareholders of the company or companies involved in the reorganization or opposition by regulatory agencies whose approval may be required; discovery of undisclosed facts during the process of legal or commercial due diligence or by other means; a dispute over price or other terms among the parties to a negotiated reorganization; litigation; a material adverse change in the business of the company or companies involved in the reorganization or the securities markets generally; passage of legislation by governmental entities restricting certain types of reorganizations; and the failure to meet certain conditions customarily specified in acquisition agreements.

The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is particularly high. Such types of securities require active monitoring and may, at times, require participation in bankruptcy or reorganization proceedings by Bandera on behalf of the Master Fund. To the extent that Bandera becomes involved in such proceedings, the Master Fund may have a more active participation in the affairs of the issuer than that assumed generally by an investor. The Master Fund, however, does not generally make investments for the purpose of exercising day-to-day management of any issuer's affairs.

### Special Situations

The Master Fund may also make speculative purchases of "special situation" securities. Such purchases may include securities that Bandera believes to be undervalued due to an arbitrage, liquidity or other event, or may involve situations where a significant position in the securities of a particular company has been acquired by other persons or where companies in the same or a related industry have recently been the target of acquisition attempts. If the Master Fund purchases securities in anticipation of an acquisition attempt or reorganization, and an acquisition attempt or reorganization does not in fact occur during the timeframe anticipated by Bandera, the Master Fund may sell the securities at a material loss. A substantial period of time may elapse between the Master Fund's purchase of the securities and the acquisition attempt or reorganization. During this period, a portion of the Master Fund's assets would be committed to the securities purchased, and the Master Fund may have financed such purchases with borrowed funds on which it would have to pay interest. In liquidations and other forms of corporate reorganizations, there is a risk that the reorganization will be unsuccessful, will be delayed or will result in a distribution of cash or a new security with a value less than the Master Fund's purchase price of the underlying security.

Bandera attempts to assess all of the foregoing risk factors, and others, in determining the nature and extent of the investment the Master Fund will make in specific "special situation" securities. However,

many risks, such as the outcome of governmental approvals or the outcome of pending or threatened litigation, cannot be quantified.

#### Activism and Board Representation Risk

In order to implement certain actions deemed necessary to maximize the value of securities of companies in which the Master Fund invests, Bandera may work with the management team of the company. This may include the design of alternate strategic plans and assistance in execution of such plans. Bandera may seek to secure the appointment of persons, as selected by Bandera, to the company's management team or board of directors. If necessary, Bandera may also initiate shareholder actions (including those that may be opposed by company management) seeking to maximize value. Such shareholder actions may include, among other things, re-orienting management's operational focus, initiating the sale of the company (or one or more of its divisions) to a third party, or an acquisition by the Master Fund. Such an acquisition may be accomplished either by the Master Fund acting alone, in conjunction with other investors (strategic or financial) or with existing management. In order to accomplish the foregoing, Bandera may cause the Master Fund, either alone or together with other members of a group, to acquire a "control" position in the company's securities. There is no guarantee that corporate governance strategies will prove effective.

In addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the transaction or the Master Fund, and regulatory agencies may independently investigate the participants in a transaction, including the Master Fund, as to compliance with securities or other law. Further, by gaining representation on the board of directors of a company, and particularly in circumstances where Bandera gains control of a company, Bandera and its partners and employees may be subject to litigation, personal liability and reputational harm, which could adversely affect the Master Fund. The Master Fund would indemnify Bandera's partners, employees and agents against costs incurred during litigation or administrative proceedings, and from any resulting judgments.

#### Common Stock

Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer.

#### Illiquid and Delisted Investments Risk

The Master Fund may invest in relatively thinly traded, low-priced and low market capitalization stocks that carry risks that the Master Fund will not be able to exit a position without extremely adverse executions of its orders, or not be able to completely exit a position. Many issuers of such stocks are not well-known to the investing public, do not have significant institutional ownership and are followed by relatively few securities analysts, and thus there may tend to be less publicly available information concerning such companies compared to what is available for companies that have larger market capitalizations. Further, very low-priced stocks may be delisted from various national exchanges and markets, which is likely to adversely impact the price and liquidity of such stocks.

#### Private Equity Investments and Control Positions

While private equity investments and control positions are not part of the Master Fund's principal investment strategy, the Master Fund may make private equity investments and also may take control positions from time to time, including investments in companies undergoing debt restructurings and recapitalized companies, which involve a high degree of business and financial risk. Such companies may have highly leveraged capital structures, require substantial additional capital to support expansion or

to achieve or maintain a competitive position, produce substantial variations in operating results from period to period or operate at a loss. In the event that any such company cannot generate adequate cash flow to meet debt service, the Master Fund may suffer a partial or total loss of capital invested in the company. Although Bandera may seek protective provisions, including, possibly, board representation, in connection with certain of its private equity investments, to the extent the Master Fund takes minority positions in companies in which it invests, Bandera may not be in a position to exercise control over the management of such companies and, accordingly, may have a limited ability to protect its position in such companies. Private equity and control investments may have extended holding periods of several years during which no distributions are made to the Master Fund on its investment, and there can be no assurance that a viable exit mechanism will be available at the end of the anticipated holding period.

#### Warrants

Warrants and stock purchase rights are securities permitting, but not obligating, their holders to purchase other securities, and they do not represent any rights in the assets of the issuer. As a result, warrants and stock purchase rights may be considered more speculative than other types of equity investments.

#### Short Selling

In connection with an investment position, hedging or special situation, Bandera may engage in selling securities short. A short sale of a stock is the sale of a stock not owned by the seller. The seller borrows stock for delivery at the time of the short sale. The seller thus must buy the stock at a later date in order to replace the shares borrowed. If the price of the stock at such later date is lower than that at the date of the short sale, the seller realizes a profit; if the price of the stock has risen, however, the seller realizes a loss. Selling a security short exposes the seller to unlimited risk with respect to the security due to the lack of an upper limit on the price to which the security can rise.

#### Options Trading

In connection with an investment position, hedging or special situations, Bandera may purchase and sell call and put options. Both the purchasing and the selling of call and put options entail risks. Although an option buyer's risk is limited to the amount of the purchase price of the option, an investment in an option may be subject to greater fluctuation than an investment in the underlying security or securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying security may fall below the exercise price.

#### Currency Risk

Bandera may purchase and sell investments in a currency that differs from the currency in which the Master Fund's investments are priced. In such transactions, the Master Fund will be subject to the risk of fluctuations in the currency exchange rate between the local currency and the currency of the Master Fund's investments (to the extent such risk is not hedged) and to the possibility of exchange controls.

#### High-Yield Securities

Bandera may cause the Master Fund to invest in high-yield securities. The Funds will be exposed to the credit risk of the issuers of high-yield securities that Bandera purchases. High-yield bonds (a/k/a "junk bonds") are bonds with a credit rating of BB or lower (*i.e.*, not investment grade) issued by companies that do not have substantial sales and earnings track records or that have questionable creditworthiness. The Funds may be subject to risk of loss in the event of such an issuer's bankruptcy or other inability to meet its payment obligations under its high-yield securities.

#### Leverage

Bandera may use margin financing to buy securities or use other leverage in investing the Master Fund's assets. Borrowing money to purchase an instrument may provide the opportunity for greater capital

appreciation but at the same time will increase the risk of loss with respect to the instrument. Although the use of leverage by an investor increases returns to the investor if it earns a return on the incremental positions purchased with the borrowed funds that exceeds its borrowing costs, the use of leverage decreases returns to the investor if its borrowing costs exceed the return on such incremental positions. In addition, the level of interest rates generally, and the rates at which Bandera can borrow in particular, will ultimately affect the operating results of the Funds.

#### Illiquid and Alternative Investments

The Master Fund may make investments of a type in which Bandera has limited experience and that may result in the Master Fund holding illiquid positions for which there is no trading market for exit or valuation purposes, including taking control of a public or private company, and investing in alternative assets such as litigation claims, patents, real estate, viatical settlements, private equity or other opportunities. Such investments would present risks to investors in the Funds as to proper valuation, inability to exit at a favorable price or any price and risks that Bandera will be unable to make these investments profitable for the Funds.

#### Investment-Related Litigation

Litigation can and does occur in the ordinary course of the management of an investment portfolio. The Master Fund may be engaged in litigation both as a plaintiff and as a defendant. This risk is somewhat greater if the Master Fund exercises control or significant influence over a portfolio company's direction, *e.g.*, as a result of board participation. Litigation can arise as a result of issuer defaults, issuer bankruptcies or other reasons. In certain cases, issuers may bring claims or counterclaims against the Funds, Bandera, the General Partner or their respective principals and affiliates (*e.g.*, alleging violations of securities laws) seeking significant damages. The expense of defending against claims made against the Master Fund or such other persons by third parties and paying the amounts of any settlements or judgments would be borne by the Master Fund and reduce net assets, to the extent that the Master Fund has not been able to protect itself through indemnification or other rights against the portfolio companies or is not entitled to such protections or the portfolio company is not solvent. Bandera and others are indemnified by the Master Fund in connection with such litigation, subject to certain conditions.

#### Futures Trading

The low margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the investor. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract were then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. Thus, like other leveraged investments, any futures trade may result in losses in excess of the amount invested. Any increase in the amount of leverage applied by Bandera in trading futures will increase the risk of loss to the Funds by the amount of additional leverage applied. Forward contracts involve similar leverage and also may require deposits of margin or collateral. "Futures" means and includes, for these purposes, commodities, futures contracts, commodity and futures options, forward contracts, swap transactions, hybrid instruments and other items not included among the foregoing which are currently, or may later become, the subject of futures, forward or options contract trading on U.S. and non-U.S. exchanges and markets (including over-the-counter markets) or privately negotiated swap transactions and derivative instruments.

#### Bank Loans and Participations

The Master Fund may invest in significant amounts of bank loans and derivatives of bank loans and participations. Such transactions are subject to unique risks, including, without limitation, the possible invalidation of a transaction as a fraudulent conveyance under relevant creditors' rights laws, so-called lender liability claims by the issuer of the obligations, environmental liabilities that may arise with respect

to collateral securing the obligations and limitations on the ability of the Master Fund to directly enforce its rights with respect to participations.

#### International Investments

Non-U.S. securities historically have been highly volatile in nature. To the extent that the Master Fund invests in non-U.S. securities, the Funds will be subject to greater risks than are present in comparable U.S. investments. In general, non-U.S. markets are not as liquid, do not have pertinent information disseminated as efficiently as U.S. markets, are less regulated and may involve certain other risks not applicable to trading on U.S. exchanges and markets. For example, certain of such exchanges and markets may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants as do U.S. exchanges and markets. There also may be less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on such exchanges. Some non-U.S. exchanges, in contrast to U.S. exchanges, are “principals’ markets” in which performance is the responsibility only of the individual member with whom the trader has dealt and is not the responsibility of an exchange or clearing association. In addition, with respect to some countries, there is the possibility of expropriation, confiscatory taxation, and political, social and financial instability. In addition, the Funds calculate net asset values in U.S. Dollars, and if the Master Fund invests in non-U.S. securities denominated in non-U.S. currencies, the value of those securities will be affected by changes in exchange rates.

#### Uncovered Risks

Bandera may employ various “risk-reduction” techniques designed to minimize the risk of loss in certain of the Master Fund’s positions. A substantial risk remains, nonetheless, that such techniques will not always be possible to implement and when possible will not always be effective in limiting losses.

Hedging against a decline in the value of the Master Fund’s positions does not eliminate fluctuations in the values of its positions or prevent losses if the values of such positions decline, but Bandera may establish other positions designed to gain from those same developments, thus moderating the decline in such position’s value. Such hedging transactions also limit the opportunity for gain if the value of such position should increase.

The success of any hedging transactions entered into by Bandera will be dependent upon Bandera’s ability to correctly predict market fluctuations and movements. While Bandera may enter into such transactions to seek to reduce risks, unanticipated market movements and fluctuations may result in a poorer overall performance for the Funds than if Bandera had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the position being hedged may vary. Investors in the Funds and prospective investors in the Funds should also be aware that many or all of the Master Fund’s positions may be unhedged.

#### Access to Nonpublic Information

From time to time, the Master Fund, through the Principals, employees or agents of Bandera, may be represented on the boards of directors or creditors’ committees, or serve as observers to the boards of directors, of certain of the companies in which the Master Fund makes investments. In addition, Bandera may have access to nonpublic information regarding issuers of securities that are investments or potential investments of the Master Fund. While such representation or access to nonpublic information is important to Bandera’s investment strategy and may enhance its ability to manage the Master Fund’s investments, it may also have the effect of impairing the ability of the Master Fund to purchase or sell the related investments when, and upon the terms, it might otherwise desire, including as a result of applicable securities laws or standstill provisions in nondisclosure agreements entered into by Bandera or the Master Fund in connection with obtaining such representation or access.



### Competition for Investments

The Master Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives or invest its capital fully. There can be no assurance that Bandera will be able to identify or successfully pursue attractive investment opportunities in all market environments. Among other factors, competition for suitable investments from other pooled investment funds and vehicles may reduce the availability of investment opportunities.

### Geopolitical Risks

An unstable geopolitical climate and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity. In addition, a serious pandemic or natural disaster could severely disrupt global, national and/or regional economies. A negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular investments made by the Master Fund, negatively impact market values, increase market volatility and cause credit spreads to widen and reduce liquidity, all of which could have an adverse effect on the investment performance of the Funds. No assurance can be given as to the effect of such events on the value of or markets for the investments made by the Master Fund.

### Changes in Investment Strategies

The investment strategies of Bandera may be altered without prior approval by, or notice to, the Funds or investors in the Funds if Bandera believes that such change is in the interests of investors in the Funds. Any such change of strategy could result in the exposure of the Funds' capital to additional risks that might be substantial.

### Regulatory Changes and Governmental Actions

Regulatory changes may be imposed on the financial markets and any such regulations could significantly restrict or affect Bandera's ability to access financial markets. Any such regulations also might impair the liquidity of the investments made by Bandera. The world's financial markets are subject to ongoing and substantial regulatory changes, and it is impossible to predict what governmental, regulatory, self-regulatory or exchange-imposed restrictions may become applicable in the future.

In addition to possible changes in the regulation of the financial markets, other regulatory changes may have a material and adverse effect on the Funds' prospects for profitability.

**Item 9 – Disciplinary Information**

None of Bandera, the General Partner or the Principals has been subject to any material legal or disciplinary events as of the date of this Part 2A.

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

Neither Bandera nor its Principals are currently registered or have registrations pending as a broker-dealer or as a registered representative of a broker-dealer, or as a futures commission merchant, commodity pool operator or commodity trading advisor or as an associated person of any of such entities.

As disclosed in Part 1 of Form ADV, the General Partner, an affiliate of Bandera, serves as general partner of the Master Fund. The performance-based fee arrangement described above in Item 6 may create an incentive for Bandera to make investments that are more speculative or subject to a greater risk of loss than would be the case if no such performance-based fee arrangement existed and could result in allocations to the General Partner that are greater than the amounts allocable to managers and general partners of similar funds. In addition, the General Partner may have conflicts of interest in connection with decisions taken for the Master Fund, such as the valuation of illiquid securities, that affect Bandera.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

#### Personal Security Transaction Policy

Bandera's Principals and employees (collectively, "Covered Persons") may purchase or sell any security in which the Master Fund has a beneficial interest but only if the transaction occurs in an exempted security or such Covered Persons have complied with Bandera's personal security transaction policy, as described below.

#### Restricted Securities

Covered Persons are prohibited from conducting transactions in issuers that are on the restricted security list (the "Restricted Security List"). The Restricted Security List is maintained on a current basis and is disseminated by Bandera's Chief Compliance Officer ("CCO") to the Covered Persons periodically. The Restricted Security List generally contains issuers for which Bandera is in possession of material non-public information. However, the Restricted Security List may contain other issuers as deemed appropriate by the CCO on a case-by-case basis.

#### Restricted Transactions

Covered Persons are prohibited from purchasing or selling, directly or indirectly, any security within one (1) calendar day before or after the time that the same (or a related) security is being purchased or sold by the Master Fund. If a Covered Person violates this prohibition, the CCO will review the circumstances of such transactions on a case-by-case basis to determine whether the employee was aware that a transaction by the Master Fund was contemplated or in-process.

In the event that a Covered Person violates this prohibition and the CCO is unable to conclusively determine that such Covered Person was not aware of the transaction by the Master Fund, such Covered Person will be required to take certain actions, which will include disgorgement of any gain attributable to the transaction, as determined by the CCO.

#### Pre-Clearance Procedures

Covered Persons are prohibited from conducting transactions in initial public offerings or limited offerings (such as private placements) without obtaining prior approval from the CCO.

#### Reportable Securities

Bandera requires Covered Persons to provide periodic reports regarding transactions and holdings in any security, except that Covered Persons are not required to report the following exempted securities:

- Direct obligations of the government of the United States;
- Bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements;
- Shares issued by money market funds;
- Shares issued by open-end mutual funds; and
- Shares issued by unit investment trusts that are invested exclusively in one or more open-end funds.

#### Reporting

In order to maintain compliance with Rule 204A-1 under the U.S. Investment Advisers Act of 1940, Bandera must collect reports from Covered Persons that include transaction and holding information regarding the personal trading activities of the Covered Persons for various reporting periods.

### Conflicts of Interest

Per Bandera's Personal Security Transaction Policy, Covered Persons may purchase or sell securities in which the Master Fund also has a beneficial interest. In order to avoid any conflict, prior to placing a trade a Covered Person must notify the CCO in writing of the intended transaction. Upon review, the CCO may:

- Take no action;
- Prohibit the transaction; or
- Require the trade to be unwound with profits disgorged to the Master Fund.

The foregoing is only a brief description of Bandera's Code of Ethics. Bandera will provide investors in the Funds and potential investors in the Funds with a copy of Bandera's Code of Ethics upon request.

## **Item 12 – Brokerage Practices**

Bandera requires that all brokers be reviewed for general acceptability before engaging in transactions on behalf of the Master Fund. This policy is intended to limit Bandera's counterparty risk exposure. In addition, Bandera's policy regarding purchases and sales for the Master Fund is that primary consideration be given to obtaining the most favorable execution of the transactions in seeking to implement Bandera's investment strategy.

### **Factors and Procedure for Selecting or Recommending Broker-Dealers for Transactions on Behalf of the Master Fund**

The Chief Compliance Officer is responsible for the implementation and monitoring of Bandera's approved brokerage policy, practices and recordkeeping.

Unless there are compelling and immediate reasons, traders should only use brokers on the Bandera Approved Broker List. If the trader must engage a counterparty that is not on the Bandera Approved Broker List, the trader should use his professional discretion as to the broker's ability to perform effectively and as to the counterparty's Specially Designated National by the U.S. Treasury Office of Foreign Assets Control status.

Bandera's trading staff, in consultation with the Principals, will notify the Chief Compliance Officer of any new trading counterparties.

The Chief Compliance Officer is responsible for reviewing the Bandera Approved Broker List (as defined below) on an annual basis.

The Chief Compliance Officer will compile a list of approved counterparties ("Bandera Approved Broker List") based on the reasonable belief that:

- The counterparty is capable of providing overall best execution;
- The counterparty will have the general ability to execute and deliver securities in a timely manner; and
- The counterparty is not deemed to be a Specially Designated National by the U.S. Treasury Office of Foreign Assets Control.

### **Research and Other Soft-Dollar Benefits**

Bandera does not currently receive research or other products or services other than execution from a broker-dealer or third party (*e.g.*, "soft dollar benefits") in connection with securities transactions on behalf of the Master Fund.

### **Brokerage for Client Referrals**

Bandera does not receive investor referrals from broker-dealers or their affiliates and has not referred trades on behalf of the Master Fund to broker-dealers as compensation for referrals.

### **Directed Brokerage**

Bandera does not employ directed brokerage in connection with the investment advisory services provided to the Master Fund.

### **Trade Aggregation**

Currently, the Master Fund is the sole investment portfolio for which Bandera provides investment advisory services. Accordingly, it is not necessary for Bandera to aggregate trades for its client accounts.

**Item 13 – Review of Accounts**

In the normal course of its internal daily reporting and at the end of each month, the Chief Compliance Officer reviews the income and expense allotments to the accounts of investors in the Funds to ascertain that those allocations are correct.

See Item 15, below, for additional information about reports provided to investors in the Funds.



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

No person who is not a client of Bandera provides an economic benefit to Bandera for providing investment advice or other advisory services to the Master Fund. Neither Bandera nor any of its related persons directly or indirectly compensates any person for client referrals.

## **Item 15 – Custody**

While Bandera may be deemed to have constructive custody of certain client assets as a result of, among other things, the control that Bandera or the General Partner may exercise over such assets, Bandera uses qualified custodians to maintain actual custody of securities and other assets of the Master Fund. Those custodians send reports to the Master Fund on a monthly basis and make reports available electronically to the Funds on a daily basis. Bandera utilizes these reports to create daily and monthly internal reports which are then compared on a monthly basis to reports prepared by the Administrator. Meridian Fund Services, the administrator of the Funds (“Administrator”), sends monthly net asset value statements to investors in the Funds. Investors in the Funds should carefully review the monthly statements and audited financial statements that they receive from the Administrator. The Master Fund’s qualified custodians do not send reports directly to investors.

**Item 16 – Investment Discretion**

Bandera has full discretionary authority to manage securities and other assets on behalf of the Master Fund. This discretionary investment authority is set forth in the organizational and governing documents of the Onshore Fund and the Master Fund, including the limited liability company agreement of the Onshore Fund, the limited partnership agreement of the Master Fund and the investment management agreement entered into between the Master Fund and Bandera.

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

Bandera will vote proxies for portfolio securities held by the Master Fund consistent with the best interest of the Master Fund. For this purpose, the Master Fund’s “best interest” means their economic interest in maximizing the value of the Master Fund’s portfolio holdings over the anticipated time horizon for each holding.

Bandera at times will consult guidelines established by Institutional Shareholder Services (“ISS”) in evaluating how to vote proxies. ISS is an independent adviser that specializes in providing a variety of fiduciary-level proxy-related services to institutional investment managers. Notwithstanding the foregoing, Bandera will use its best judgment to vote proxies in the manner it deems to be in the best interest of the Master Fund. In the event that judgment differs from that of the ISS guideline, Bandera will memorialize the reasons supporting that judgment and retain a copy of those records in its files. Additionally, Bandera’s Chief Compliance Officer will periodically review the voting of proxies to ensure that all such votes – particularly those diverging from the judgment of ISS – were voted consistent with the Bandera’s fiduciary duties.

At times, Bandera will not be allowed to vote proxies on securities that have been lent. Generally, Bandera will lend securities it believes that when the economic return from lending the securities is greater than the potential economic return from voting proxies.

In certain markets where share blocking occurs, shares must be “frozen” for trading purposes at the custodian or sub-custodian in order to vote. During the time that shares are blocked, any pending trades will not settle. Depending on the market, this period can last from one day to a few weeks. Any sales that must be executed will settle late and potentially be subject to interest charges or other punitive fees. For this reason, in blocking markets, Bandera retains the right to vote or not, based on the determination of Bandera’s investment personnel. The Chief Compliance Officer will monitor these situations, consult with Bandera’s investment team members responsible for each industry or market and arrive at a decision on whether or not to vote. If the decision is made to vote, Bandera will its process votes as detailed in this policy.

### **Responsibility**

The Chief Compliance Officer has the responsibility for the implementation and oversight of Bandera’s proxy voting policy.

### **Procedure**

As further described above, Bandera has implemented the following procedures with respect to proxy voting of portfolio securities held by the Master Fund:

- Generally, proxy voting will generally be completed in accordance with ISS’ published recommendations. However, in the regular course of Bandera’s investment activities, Bandera will deviate from ISS’ recommendations when it determines that doing so is in the best interest of the Master Fund.
- Votes will be withheld when needed when needed to ensure that Bandera has the ability to conduct unimpeded transactions.
- Bandera will furnish its proxy voting record and its proxy voting policies and procedures to investors in the Funds upon request.

### **Conflicts of Interest**

Bandera does not engage in any proprietary trading on its own behalf.

As described in Item 11 above, Covered Persons may hold securities that are the same as those held by the Master Fund from time to time.

In the event that there is a conflict of interest with regard to proxy voting, the Chief Compliance Officer will determine if the conflict of interest is material. If it is deemed material, then all securities owned by Covered Persons will be voted in a manner that is consistent with the best interest of the Master Fund.

**Item 18 – Financial Information**

Bandera does not solicit or require prepayment of any fees by the Funds of more than \$1,200 per Fund, six months or more in advance.

Bandera has discretionary authority over, and may be deemed to have custody of, funds or securities of the Master Fund. As of the date of this Part 2A, there are no financial conditions to report that are reasonably likely to impair Bandera's ability to meet contractual commitments to the Onshore Fund or the Master Fund.

Bandera has never been the subject of a bankruptcy petition.