



## **FIRM BROCHURE AND BROCHURE SUPPLEMENT**

### **BOWERY INVESTMENT MANAGEMENT, LLC**

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**This brochure provides information about the qualifications and business practices of Bowery Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us by telephone at 212.259.4300. The information in this brochure has not been approved or verified by the Securities and Exchange Commission or any state securities authority.**

**Additional information about Bowery Investment Management, LLC is available on the website maintained by the Securities and Exchange Commission at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**March 2013**

## **Item 2 - Material Changes**

Our firm brochure and brochure supplement were prepared for the first time in June 2012 and were last revised in August 2012. This is the 2013 annual updating amendment. This amendment primarily contains clarifications to the descriptions of our policies and procedures. This amendment also reflects that we began to provide investment management services to P Bowery Ltd. The firm brochure and brochure supplement are updated annually and when material changes occur. If at any time you would like to receive a copy of the current firm brochure or brochure supplement, please contact us by telephone at 212.259.4300.

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## Item 4 - Advisory Business

Bowery Investment Management, LLC (the “Investment Manager”) was organized as a limited liability company under the laws of the State of Delaware in 2012. Its principal office is in New York, New York.

The Investment Manager provides discretionary investment portfolio management services to Dover Master Fund II, L.P. and Dover Offshore Fund II, Ltd., both of which are Cayman Islands entities, and to P Bowery Ltd., which was formed under the laws of the British Virgin Islands. As a feeder fund, Dover Offshore Fund II, Ltd. invests substantially all of its assets in Dover Master Fund II, L.P., the master fund. In addition, the Investment Manager provides discretionary investment portfolio management services to the following four Delaware limited partnerships at the direction of their respective general partners listed below (each a “General Partner”):

Partnership	General Partner
Bowery Focused Credit, L.P.	Bowery GP, LLC
Bowery Institutional Opportunity Fund, L.P.	Bowery Opportunity Management, LLC
Bowery Opportunity Fund, L.P.	Bowery Opportunity Management, LLC
Bowery Special Equities Fund, L.P.	Bowery Opportunity Management, LLC

Each General Partner was organized as a Delaware limited liability company in 2012 and shares its principal office with the Investment Manager. In reliance on the position expressed in the no-action letter of the Securities and Exchange Commission (the “SEC”) dated January 18, 2012 addressed to the Business Law Section of the American Bar Association, the General Partners have not registered separately with the SEC as investment advisors. The only natural person or entity that owns twenty-five percent or more of the Investment Manager or a General Partner is Vladimir Jelisavcic.

In this firm brochure and brochure supplement, the terms “we,” “our,” and “us” refer to the Investment Manager or a General Partner, or all of these entities, as the context requires. References to a “Fund” means one of the Cayman Islands or British Virgin Islands entities or the Delaware limited partnerships named in the preceding paragraph, as the context requires, and references to the “Funds” means these entities as a group.

The Funds are private investment funds that invest in securities and other financial instruments. The Investment Manager tailors the investment advice given to each Fund and manages its assets to meet the investment objective and other terms specified in the governing documents of the Fund. The Investment Manager does not tailor investment advice to individual investor requests. The investment objective of each Fund other than P Bowery Ltd. is described in detail

in the most current version of its private offering memorandum and/or limited partnership agreement (each a “Governing Documents”). The investment objective of P Bowery Ltd. is described in detail in an investment advisory agreement to which P Bowery Ltd. and the Investment Manager are parties.

In general, the investment objectives of the Funds are to maximize the total return of a portfolio of distressed, high-yield, and special-situation equity investments, including but not limited to corporate bonds, bank loans, equity securities, listed options, and other derivatives. Distressed investments may be found among financially troubled companies, companies currently in bankruptcy, highly leveraged companies, and companies that have recently been restructured. Any specific limitations or restrictions on the particular securities or types of securities in which a Fund may invest are described in its Governing Documents or, in the case of P Bowery Ltd., the investment advisory agreement. Under specific economic or market conditions in which the Investment Manager believes that the portfolio of a Fund would benefit from one or more temporary defensive positions, the Investment Manager may invest the assets of the Fund in, among other things, securities issued by the United States government (such as Treasury bills, notes, and bonds), cash, money-market mutual funds, certificates of deposit, bank time deposits, and bankers’ acceptances, and/or other short-term debt interests.

In the future, the Investment Manager may provide investment management services to other private investment funds and managed accounts on either a discretionary or a non-discretionary basis. In addition, the Investment Manager may in the future provide sub-advisory services to other investment managers.

As of December 31, 2012, the Investment Manager managed \$139,943,789 in assets on a discretionary basis. This figure represents regulatory assets under management as reported in Part 1A of Form ADV.

## **Item 5 - Fees and Compensation**

### **Asset-Based Fees and Performance-Based Compensation**

The Governing Documents of each Fund and the investment advisory agreement of P Bowery Ltd. describe the fees and compensation that we charge. Our fees and compensation usually consist of an asset-based management fee and performance-based compensation. Asset-based fees are calculated based on the net asset value of each Fund, prior to the accrual of the management fee and any performance-based compensation, on the last day of each calendar quarter. In general, the management fee is deducted quarterly directly from Fund assets, and any performance-based compensation is allocated following the close of the fiscal year.

Each Fund that is organized as a Delaware limited partnership will pay any performance-based compensation to its General Partner, rather than the Investment Manager. The Investment Manager will receive any performance-based compensation paid by a Fund that is organized in the Cayman Islands or the British Virgin Islands.

Performance-based compensation for the Funds other than P Bowery Ltd. will be based on a share of capital gains on or capital appreciation of Fund assets. The fiscal years of these Funds end on December 31. Whether we will be entitled to performance-based compensation with respect to these Funds in any particular year will be determined as of December 31 of that year, except with respect to (1) investors who withdraw from a Fund as of a date other than December 31 or (2) a Fund that calculates performance-based compensation based on a period of several years. Any performance-based compensation from these Funds will be subject to a high watermark. In other words, if an investor in a Fund were to suffer an aggregate loss of capital during a fiscal year, no performance-based compensation would be due with respect to that year until the loss of capital was first recovered. The basis for determining when and whether P Bowery Ltd. is obligated to pay performance-based compensation to the Investment Manager is described in the investment advisory agreement.

At our discretion, we may waive all or a portion of any asset-based fee or performance-based compensation. For example, a waiver or reduction may apply for our employees and members of their immediate families.

Each of Bowery Focused Credit, L.P. and Bowery Special Equities Fund, L.P. prohibits withdrawals of investor capital during the first six months after the issuance of the relevant limited partner interest, and Bowery Opportunity Fund, L.P. prohibits these withdrawals during the first twelve months after issuance. Once the lock-up period has elapsed, full or partial withdrawals of investor capital are permitted as follows:

<b>Fund</b>	<b>Frequency</b>	<b>Notice Period</b>
Bowery Focused Credit, L.P.	Quarterly	At least 90 but no more than 104 days
Bowery Opportunity Fund, L.P.	Annually	At least 90 but no more than 104 days
Bowery Special Equities Fund, L.P.	Monthly	At least 30 days

One of these Funds may pay an investor withdrawal proceeds in kind, including in the form of nonvoting, non-redeemable equity interests in a special-purpose vehicle that will share in future profits and losses derived from assets held by the Fund on the redemption date that are difficult to value or illiquid, or both. In general, with respect to transactions that are carried out on the basis of the investment objective and strategy of one of these Funds as an ongoing investment enterprise, any such special-purpose vehicle will make periodic distributions of proceeds, net of expenses, as underlying positions are realized and will not participate in new investment opportunities. The Investment Manager or an affiliate of the Investment Manager will generally manage the special-purpose vehicle and will typically charge an administrative fee to defray the costs and expenses of its management activities.

Additional information about withdrawals of investor capital from these Funds is included in the Governing Documents. Information about termination of the investment advisory agreement with P Bowery Ltd. is included in that agreement.

As described in the Governing Documents, each Fund other than P Bowery Ltd. charges a withdrawal reduction fee when an investor is permitted to withdraw all or a portion of his investment on a date other than a standard withdrawal date. In addition, as described in its Governing Documents, Bowery Focused Credit, L.P. charges a rescission fee when an investor is permitted to rescind a notice of withdrawal previously submitted.

We have the discretion to agree with an investor in a Fund other than P Bowery Ltd. to waive or modify the application of any provision of the investment terms applicable to the investor in a side letter or in another manner, generally without obtaining the consent of the other investors in the Fund. The terms of a side letter may include, among other things, lock-up waivers, asset-based fee rebates, and other types of more favorable fees or liquidity terms. In addition, we may grant additional transparency or another form of additional disclosure with respect to the performance or operation of one of these Funds to an investor without obtaining the consent of, or granting similar rights to, other investors in the applicable Fund. Some investors in these Funds may negotiate a most-favored-nation provision that permits them to elect to receive the benefit of any modifications or waivers of terms that another investor in the applicable Fund negotiates in the future. We may be obligated to disclose to other investors in one of these Funds who have most-favored-nation status that particular terms are being offered to other investors in the applicable Fund through side letters and, in some cases, to offer those terms to other investors who have most-favored-nation status.

Some of the Funds are now or in the future may be in the process of winding down their affairs. The investments held by these Funds will liquidated based on their specific terms and provisions. For example, many debt holdings will eventually mature. The Investment Manager may sell some investments prior to maturity if and when attractive opportunities arise, but there is no assurance that any such investment will be sold prior to maturity. A conflict of interest arises under these circumstances because the Investment Manager may have an incentive not to sell an investment prior to maturity in order to continue to earn management fees on the value of the investment. We seek to mitigate conflicts of this nature by providing full disclosure of our practices and through active and ongoing review of the portfolio holdings of each Fund that we manage.

### **Trade Claim Sourcing Commissions**

The Investment Manager pays customary trade claim sourcing commissions to some of its employees. Each Fund reimburses the Investment Manager for these commissions that relate to the trade claim transactions of the Fund, which are in addition to the asset-based fee and performance-based compensation described above. This practice may present a potential conflict of interest and may give our employees an incentive to recommend investment products based on the potential for commission compensation, rather than on the investment objective of the Fund. The Investment Manager attempts to mitigate this potential conflict of

interest by providing disclosure to investors and by requiring the portfolio manager to approve the purchase of a trade claim for which an employee is eligible to receive a commission.

### **Transaction-Based Fees and Compensation**

From time to time, in connection with trade claim sourcing efforts on behalf of the Funds, the Investment Manager may become aware of the existence of a marketable trade claim that is not consistent with the investment objectives of one or more Funds due to the nature, size, or other characteristic of the trade claim. In these cases, the Investment Manager may purchase the trade claim for one or more Funds with an intention to resell the claim in the near term. In the alternative, the Investment Manager may identify a trade claim that (1) is too large to meet the investment criteria of any Fund due to position concentration, size, or liquidity considerations or (2) would cause investors in a Fund to incur adverse tax consequences, such as the recognition of unrelated business taxable income or unwanted effectively connected income. In these circumstances, the Investment Manager may purchase and sell the trade claim for its own account or may arrange a direct transaction between a third-party buyer and seller in order to generate a fee for itself. The Investment Manager reduces the amount of the management fee next payable by Bowery Institutional Opportunity Fund, L.P. and Bowery Opportunity Fund, L.P. by the amount of the fee received in a direct transaction, net of any commission paid. Funds that are in the process of winding down their affairs do not benefit from rebates of management fees.

### **Other Fees and Expenses**

Each Fund has paid the expenses of its organization. Each Fund bears ongoing investment-related costs, including but not limited to custodial, legal, research-related consulting, and other professional expenses. In addition, each Fund incurs brokerage and other transaction costs as described in the section entitled “Brokerage Practices.” Finally, a Fund may incur fees and expenses payable to third-party service providers, such as insurance fees, audit fees, tax-preparation fees, and administration fees. The Governing Documents of each Fund other than P Bowery Ltd. discusses these other expenses and costs in greater detail. The investment advisory agreement describes other expenses and costs borne by P Bowery Ltd.

As part of an overall investment strategy, the Investment Manager may invest some assets of the Funds in mutual funds including and exchange-traded funds (each an “ETF”). Mutual funds and ETFs incur a separate layer of management fees and other expenses that are in addition to the fees and performance-based compensation that we charge.

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

As more fully described in the section entitled “Fees and Compensation,” we may earn performance-based compensation from the Funds. The potential to earn performance-based compensation may create an incentive for us to make investments on behalf of a Fund that are riskier or more speculative than would be the case in the absence of this compensation. Further, performance-based compensation may be earned based on unrealized gains that a

Fund never actually realizes. We seek to address this conflict of interest by disclosing the risk to investors and by instituting a supervisory structure that generally requires multiple layers of review for decisions involving trade allocation. Our code of ethics specifically requires our employees to act in the best interests of the Funds.

## **Item 7 - Types of Clients**

The Investment Manager furnishes investment management services to the Funds, which are private investment funds. The initial subscription minimum and the additional subscription minimum for each Fund are disclosed in its Governing Documents. The investment advisory agreement of P Bowery Ltd. does not specify a minimum initial or additional subscription amount. In the future, the Investment Manager may provide investment management services to other private investment funds and managed accounts on either a discretionary basis or a non-discretionary basis.

Each United States investor who participates in one of the Funds is required to meet certain suitability and net worth qualifications, such as by qualifying as an accredited investor within the meaning of rule 501 of Regulation D under the Securities Act of 1933 or a qualified purchaser as defined in the Investment Company Act of 1940. In addition, each United States investor is required to satisfy the suitability requirements for a qualified client imposed by rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”), which restricts who is allowed to incur performance-based fees. Interests in the Funds are offered only to prospective investors who satisfy the applicable eligibility and suitability requirements for either private placement transactions within the United States or offshore transactions. Typically, these investors are institutions and high net-worth individuals.

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

Investing in distressed companies is a form of event-driven investing. We base our decision to invest on the potential occurrence of an event that would enable a Fund to realize a return on its investment, such as (1) the confirmation of a bankruptcy plan of reorganization, (2) a liquidation that distributes cash or securities, or both, or (3) the maturity of a financial asset, like a bond or an account receivable. In an attempt to achieve the investment goals of one or more of the Funds, we may engage in investment strategies that include derivatives and foreign-exchange contracts. However, the types of securities and other instruments in which the Funds invest are typically speculative and involve a substantial degree of risk. Therefore, a prospective investor in one of the Funds should meet suitability standards and be able to bear the risks involved. Investors should be prepared to bear the potential loss of all of the capital that they have invested.

In addition, each investment strategy that we use involves material risk factors. Material risk factors related to a distressed-debt strategy include price and market volatility, domestic or international economic and political developments, incorrect analysis, restrictions on marketability or illiquidity of securities and instruments, and lengthy delays in bankruptcy

reorganizations. Material risk factors related to a special-situation equity strategy include price and market volatility, domestic or international economic and political developments, incorrect analysis, interest-rate fluctuations, and changes in exchange rates and exchange-control regulations. The Governing Documents of each Fund, or in the case of P Bowery Ltd., the investment advisory agreement, discusses in detail specific applicable risks and/or the specific investment strategy.

We use fundamental analysis to identify investment opportunities for the Funds in distressed debt and special-situation equity securities. We consider potential investments by analyzing the operations of an issuer, its long-term ability to generate cash flow, its place in its industry, and the future of the industry itself. We seek to identify issuers with a strong franchise that is not easily duplicated. Our investment research focuses on intensive analysis that measures the value of a distressed issuer and its surviving business. The research may include a liquidation analysis of the value of enterprise assets and how that value may be distributed to creditors in a bankruptcy proceeding. We may value liabilities of an issuer based on perceived market prices in an attempt to determine the current market value of company debt.

We source new ideas through direct sector and industry research, the media, public filings, broker-dealers, and professional relationships. We also hold frequent informal investment meetings in which our analysts present new ideas and discuss developments relating to existing portfolio investments.

When we believe it appropriate relative to the risk involved, we may invest on behalf of the Funds in more than one segment of the capital structure of an issuer while we monitor and assess the range of scenarios in which the issuer may emerge from bankruptcy, may pursue a liquidation, or may complete a balance-sheet restructuring. From time to time, conflicts may arise because our portfolio decisions regarding a Fund may either harm or benefit other Funds, the Investment Manager, the General Partners, or their affiliates. For example, when we believe it to be in the best interests of one or more Funds, we may pursue or enforce rights available to creditors with respect to an issuer in which these Funds hold debt; those activities may have an adverse effect on the equity holdings of other Funds. We seek to make decisions with respect to each Fund that are in its best interest without regard to the impact of the decision on other Funds or our own interests. As a result, activities on our own behalf or on behalf of one Fund may negatively impact the prices, availability, liquidity, and terms of the investments of other Funds, and transactions for one Fund may be effected at prices or terms that are less favorable than would otherwise have been the case. We have the absolute discretion to determine how best to deal with conflicts that may arise relating to investments in different parts of the capital structure of an issuer. In resolving any related conflicts, however, we will strive to serve the best interest of the affected Funds. We consult our chief compliance officer when an actual or potential conflict of interest is identified.

We generally use one or more prime brokers to conduct any short selling, including arranging, confirming, and documenting the availability of the borrowed security. If a prime broker is not used in a short sale, then the employee who places our trade is responsible for ensuring that

we have arranged for and documented the borrowing of the security sold short. Before we use a broker-dealer to short sell a hard-to-borrow security, our chief compliance officer reviews and approves the procedures of the broker-dealer for obtaining and confirming borrowings of the security sold short.

## **Item 9 - Disciplinary Information**

This item is not applicable.

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

The Investment Manager and the General Partner are under common control.

The Investment Manager serves as investment manager to the Funds. The General Partners serve as general partners of the Funds that are Delaware limited partnerships. In the future, the Investment Manager may provide investment management services to additional private investment funds and managed accounts on either a discretionary basis or a non-discretionary basis. Our employees are not able to devote all of their efforts to any single Fund. On occasion, the interests of one Fund may conflict with those of another.

Investment funds managed by Goldman Sachs Asset Management International, an affiliate of The Goldman Sachs Group, Inc. ("Goldman Sachs"), hold a passive, noncontrolling, minority revenue-sharing interest in the sole member of the Investment Manager. Neither these investment funds, nor Goldman Sachs, nor any of their affiliates has any rights to influence the management or policies of the Investment Manager, the General Partners, or any of their affiliates, and none has any right to vote any of its interest in the Investment Manager or any affiliate of the Investment Manager. Each of these investment funds, Goldman Sachs, and their affiliates disclaims control of the Investment Manager and the affiliates of the Investment Manager. These investment funds have been granted consent rights with respect to the ability of the Investment Manager to undertake limited significant activities outside the ordinary course of business in the future. The activities to which the consent rights pertain do not include portfolio management activities.

Our chief compliance officer is an attorney who practices through a professional services corporation. She serves as chief compliance officer for several other investment advisers and one broker-dealer. In her capacity as chief compliance officer for the broker-dealer, she is a registered representative of the broker-dealer but does not engage in trading activities. She is also licensed in the State of New York as a real estate broker. We believe that these arrangements create no material conflicts of interest.

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

We owe a fiduciary duty to our Funds. As a result, we have instituted a code of ethics applicable to all access persons within the meaning of the rules under the Advisers Act. All employees of the Investment Manager are treated as access persons for purposes of our code of ethics and its personal-trading requirements, and the family members who share a household with an employee and entities controlled by an employee are also required to adhere to the personal-trading requirements. We require our employees to avoid activities, interests, and relationships that appear to run contrary to the best interests of our Funds. At all times, our employees are instructed (1) to place Fund interests ahead of our own and their own interests, (2) to obtain preclearance of specified personal securities transactions, (3) to report personal securities transactions at least quarterly, (4) to provide a detailed summary of investments that they beneficially own upon commencement of employment and quarterly thereafter, (5) to abide by our insider-trading policy, (6) to avoid taking advantage of their position of employment, such as by accepting gifts from people who wish to conduct business with us, other than in accordance with our gift policy, and (7) at all times to be in full compliance with the federal securities laws, including but not limited to the Advisers Act. Upon request, we will furnish any investor or prospective investor with a copy of our code of ethics.

Subject to the restrictions and approval requirements described here, our code of ethics permits an employee to trade in individual equity securities and corporate bonds in accounts that we do not manage. Specifically, if an employee owns securities that we are restricted from trading by the federal securities laws or our own policies and procedures (such as when we are in possession of material nonpublic information), the employee is prohibited from selling or otherwise transferring his investment and from purchasing an additional investment of any kind in the issuer. Our chief compliance officer may, depending on the facts and circumstances, grant a limited exception to these restrictions if consistent with requirements under the federal securities laws.

If an employee owns a security reportable under our code of ethics of an issuer that the Investment Manager is analyzing or considering for potential investment or in which one or more Funds holds a position, the employee may not sell or otherwise transfer the security or purchase additional or other securities of the issuer until the Investment Manager is no longer analyzing the issuer or considering it for potential investment or a Fund no longer holds a position. Exceptions for sales or transfers may be granted if the issuer does not appear on the restricted list. Enforcement of this policy will be accomplished through the preclearance procedures contained in our code of ethics.

Notwithstanding this restriction but subject to the preclearance and reporting policies set forth in our code of ethics, we permit an employee to invest in mutual funds, municipal bonds, ETFs, hedge funds, master limited partnerships traded on exchanges or organized as funds and other similar pass-through investments, and foreign-government securities denominated in foreign currencies. We also permit an employee to engage a third party to manage a personal

brokerage account so long as the employee has no direct or indirect influence or control over the management of the account. Opening such a brokerage account requires the approval of the chief compliance officer, who will review the investment management agreement and obtain a written confirmation from the third-party manager that no direct or indirect influence or control will be exercised.

Our policy is to prohibit principal transactions. Consequently, neither we nor any employee may engage in a principal transaction with one of the Funds. We have no proprietary trading accounts. However, prior to the settlement of any principal transaction in the future, our chief compliance officer is responsible for obtaining the informed written consent to the transaction by an independent representative of any affected Fund. The chief compliance officer will retain documentation of any such consents. A transaction in which two Funds trade in the same security in opposite directions may be permitted, but only if the transaction were executed using separate counterparties or using the same counterparty on two different days.

From time to time, we may receive material nonpublic information about an issuer in connection with our activities on behalf of the Funds, such as bank-level information with respect to a company. The possession of this information may prevent us from trading in the securities of the issuer. This trading restriction is necessary to comply with the federal securities laws but may disadvantage the Funds.

## **Item 12 - Brokerage Practices**

We seek to obtain best execution in making decisions regarding brokerage allocation for the Funds, taking into account factors such as: the ability of the broker-dealer to effect prompt and reliable executions at favorable prices (including any applicable broker commission); the operational efficiency with which transactions are effected, taking into account the size of the order and the difficulty of execution; the level of anonymity provided; the frequency of any errors committed by the broker-dealer; the access of the broker-dealer to liquidity and investment opportunities; the financial strength, integrity, and stability of the broker-dealer; the quality, comprehensiveness, and frequency of available research services that we consider to be of value; and the competitiveness of commission rates in comparison with other broker-dealers that satisfy our other selection criteria. We are permitted to pay higher execution prices for the purchase of securities from, and to accept lower execution prices for the sale of securities to, broker-dealers that provide us with investment and research information. In addition, since commission rates in the United States are negotiable, our decision to select a broker-dealer on the basis of considerations beyond applicable commission rates may at times result in transaction costs that are higher than would otherwise be obtained. Although we generally seek competitive commission rates and commission-rate equivalents, the Funds will not necessarily pay the lowest commission rate or equivalent. Nevertheless, we will have formed a belief that the execution prices or commissions paid are reasonable in relation to the overall brokerage and research products and services that we receive.

We may occasionally participate in opportunities or source investments, including trade claims, from or through investors in the Funds, entities that are related to these investors, or unaffiliated counterparties with which we have ongoing business relationships that are unrelated to buying and selling financial instruments. These transactions may give the appearance of a conflict of interest. Our chief compliance officer reviews potential conflicts of interest that we identify in an effort to ensure that the investment sources are capable of providing the best price and overall execution given the prevailing facts and circumstances.

## **Soft Dollars**

An adviser receives soft dollar benefits when it receives research or other products or services other than execution services from a broker-dealer or a third party in connection with Fund securities transactions. We do not currently maintain any formal soft-dollar credit generating arrangements or commission sharing arrangements. However, some broker-dealers provide us with proprietary and third-party research and access to brokerage products and services like trading desks, investor conferences, and broker-sponsored management team dinners. The costs associated with these items may be deemed to be imputed or bundled in the commission rates we pay to broker-dealers.

Section 28(e) of the Securities Exchange Act of 1934 provides that a person who exercises investment discretion with respect to an account is not deemed to have acted unlawfully or to have breached a fiduciary duty solely by reason of having caused the account to pay a broker-dealer more than the lowest available commission if the person determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services that the broker-dealer provides. If in the future we enter into a formal soft-dollar arrangement, we intend to acquire only brokerage and research products and services that fall within the safe harbor afforded by section 28(e).

In receiving research, trading-desk access, and other brokerage products or services, we receive a benefit because we do not have to produce or pay for the research, products, or services. Consequently, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than the interests of the Funds in receiving most favorable execution. In some circumstances, we may cause the Funds to pay commissions, markups, or markdowns that are higher than those charged by other broker-dealers in return for the products and services that we receive. We do business only with broker-dealers whose prices and commissions we have determined to be reasonable in relation to the overall brokerage and research products and services provided.

We do not direct brokerage to particular broker-dealers solely due to the receipt of particular research and other products and services. Rather, we evaluate all of the previously described factors in determining where to execute transactions. We do not have an obligation to direct a specific amount of commissions or transactions to any particular broker-dealer.

We use the research, trading-desk access, and other benefits received from broker-dealers to benefit or serve all of the Funds. We do not seek to allocate these benefits proportionately to the Funds based on trading activity or the commissions that their transactions generate.

## **Referrals**

In selecting or recommending a broker-dealer to execute transactions, we do not consider whether we will receive investor referrals from the broker-dealer or another third party. To the extent that we receive these referrals, they do not constitute a material aspect of our marketing efforts. Nevertheless, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving referrals, rather than on the interests of the Funds in receiving most favorable execution.

## **Trade Allocation and Aggregation**

We require all trades to be allocated in a manner that treats each Fund fairly. Our portfolio manager is responsible for determining trade allocations. When possible, trades are executed as a block on behalf of those Funds for which we deem an investment to be suitable based on investment objectives and other relevant factors that are described below. We endeavor to aggregate trades for investments that traditionally allow for trade aggregation. If aggregated trades are not filled at a uniform price, we endeavor to allocate the trades so that each participating Fund receives the average effective execution price. There may be times when a trade is allocated to a single Fund to the exclusion of other Funds. For example, trades may not be aggregated due to significant cash flow into or out of particular Funds that necessitates trading only for those particular Funds. Specifically, this result may occur when we raise cash to fund withdrawals or rebalance positions after subscriptions or for other reasons.

Our portfolio manager issues written trade-allocation instructions to our trader before each trade. In doing so, he may indicate that our regular allocation procedure should be applied for one or more specific Funds. Our regular procedure is to allocate purchases, sales, short sales, and purchases to cover short sales *pro rata* among the Funds for which the transaction is appropriate based on the approximate relative net asset values of the Funds at the beginning of the month in which the transaction occurs, unless the portfolio manager specifically identifies a Fund to which a trade should be more heavily or solely allocated due to investor subscriptions or withdrawals, available cash balances, or the inability to sever a financial instrument. The allocation procedures are designed to prevent any Fund from being systematically disadvantaged. After execution, the trader forwards the pre-trade instructions to our operations team, which verifies that the trade matches the instructions.

## **Partial Fills**

From time to time, we may be unable to complete a purchase or sell order in a single day. In the case of a partial fill, we allocate securities *pro rata* among the participating Funds according to the original order allocation.

### ***De Minimis* Reallocations**

We reserve the right to reallocate securities to avoid a *de minimis* allocation. Our portfolio manager or our trader will determine what constitutes a *de minimis* allocation after giving consideration to the size of the allocation relative to the net asset value of the relevant Fund. Our portfolio manager or our trader will notify the chief compliance officer promptly after a reallocation occurs. The chief compliance officer will review each reallocation from a compliance perspective, among other things, to assess the rationale for the reallocation.

### **Cross Trades**

Infrequently but from time to time, we may use cross trades. A cross trade occurs when we purchase and sell a particular investment between or among the Funds. We use cross trades only when we believe that the practice will benefit each participating Fund. We review the terms of each cross transaction, including the fairness and reasonableness of the consideration paid or received by each Fund. No Fund that is considered plan assets under the Employee Retirement Income Security Act of 1974 may engage in a cross trade. In addition, we do not engage in cross trades with respect to securities in which our trading is restricted, such as when we are in possession of potential material nonpublic information, unless an exception is available under the federal securities laws. We do not receive additional compensation when we cross trades for the Funds.

Cross trades involve the potential conflict that we will favor one Fund over others. For example, we may have an incentive to favor a Fund that generates more revenue for us based on its fee structure. As another example, we may favor a particular Fund if we and our control persons have a material ownership interest in that Fund. Cross trades involve the potential conflict that we may move an investment that has performed poorly, or that we expect to perform poorly in the near future, to a particular Fund if we are unable to find a willing buyer or seller in the open market. We attempt to mitigate conflicts of this nature by providing full disclosure of our practices and through procedures requiring documentation and approval by the portfolio manager.

### **Passive Minority Interest**

As described in the section entitled “Other Financial Industry Activities and Affiliations,” investment funds managed by Goldman Sachs Asset Management International, an affiliate of Goldman Sachs, hold a passive, noncontrolling, minority revenue-sharing interest in the sole member of the Investment Manager. Goldman Sachs is a global, full-service investment bank, broker-dealer, and financial services organization. To the extent permitted by the Advisers Act and other applicable statutes and regulations, we have caused and expect in the future to cause one or more of the Funds to enter into investment instruments or other investment transactions in which an affiliate of Goldman Sachs acts on a principal or agency basis or otherwise provides services pursuant to which the Goldman Sachs affiliate is compensated, including as an executing or clearing broker, a prime broker, a dealer, a futures commission merchant, a counterparty, an agent, an administrator, a lender, or otherwise. This includes

instances where the Funds pay fees relating to short transactions, including stock borrow fees. In addition, the Funds pay Goldman Sachs affiliates interest on debit balances in accounts held with Goldman Sachs affiliates. The Goldman Sachs affiliate is expected to retain any such compensation, commissions, fees, or profits in connection with these transactions. For example, a Goldman Sachs affiliate may serve and receive compensation or profit as a broker-dealer in an equity or debt securities transaction or in its capacity as a derivative counterparty, a futures commission merchant, an administrator, or another back-office or middle-office service provider. In addition, we may cause a Fund account to trade investment instruments (1) with broker-dealers that are not Goldman Sachs affiliates but for which a Goldman Sachs affiliate may act as a market maker, (2) in which the trade is executed on the floor of a securities exchange or is matched without our knowledge with an order from Goldman Sachs or its clients, and (3) in connection with which a Goldman Sachs affiliate receives compensation as a result of its role as a lead underwriter, a manager, a lender, an agent, or an administrator in a syndicate. To the extent permitted by the Advisers Act and other applicable statutes and regulations, the Investment Manager may cause one or more of the Funds to invest in investment instruments issued, sponsored, or underwritten by a Goldman Sachs affiliate or entities under the control of Goldman Sachs or its affiliates. Entering into transactions with a Goldman Sachs affiliate in which Goldman Sachs and its affiliate directly or indirectly financially benefits, or that result in other potential commercial advantages to Goldman Sachs or its affiliates, may give rise to conflicts of interest with respect to our exercise of investment discretion and brokerage discretion. We attempt to mitigate conflicts of this nature by providing full disclosure of our practices and through procedures requiring documentation and approval by the portfolio manager.

### **Resolution of Trade Errors**

Our chief financial officer, or his designee, in consultation with the chief compliance officer, investigates and resolves any trade error involving our employees as soon as practicable, taking into account the facts surrounding the transaction, including the liquidity of the security involved. For example, if we have purchased less than the appropriate quantity of a security, we will place another order as soon as reasonably practicable at the price at which the security was first purchased. If we have purchased more than the intended quantity of a security for a Fund and the security is suitable for other Funds, we may allocate a portion to other Funds at the original trade-date price. The chief compliance officer reviews any such transaction from a compliance perspective. In addition, we may sell the overbought portion in the market. If an error results in a loss to a Fund, we reimburse the Fund. If the error results in a gain, the Fund retains the gain. In some circumstances, we may net gains and losses that correct multiple legs of a single transaction. We then reimburse the Fund for any net loss and the Fund retains any net gains.

### **Item 13 - Review of Accounts**

Our portfolio manager makes all discretionary investment decisions. He is responsible for the ongoing monitoring and analysis of each investment and for managing the investment

portfolios of the Funds for characteristics like exposure to specific investments and overall sector, geographic, and asset-class diversification. Our investment personnel review domestic and international events on a daily basis to evaluate how the events may impact the portfolios of the Funds.

The third-party administrator for the Funds furnishes each investor in a Fund with a monthly statement of the performance and net asset value of his interest in the Fund. The director of marketing and investor relations provides investors with Form K-1 tax statements, as required. The administrator provides investors with annual audited financial statements prepared in accordance with accounting principles generally accepted in the United States. In addition, upon request, we will provide investors with performance estimates and reports, performance-attribution reports, and transparency reports.

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

The broker-dealers with which the Funds or we have entered into prime brokerage arrangements may occasionally provide us with introductions to potential investors. Prime brokers provide capital introduction services to introduce hedge-fund managers to potential investors, typically through individual meetings or in a conference format that includes other unaffiliated investment advisers. Although prime brokers customarily do not charge a fee for capital-introduction services, receiving these services raises a potential conflict of interest. For example, we may have an incentive to use the services of a specific prime broker because of its ability to raise capital for us. In addition, we benefit from arrangements in which investors are referred to us because our management fees are generally based upon a percentage of assets managed and our performance-based compensation is generally based upon a percentage of net profits on assets under management. In other words, the more assets we manage, the higher our management fee income and potentially our performance-based compensation will be.

A direct conflict is also presented because prime brokers generally increase their revenues when we raise capital. A prime broker or its affiliates generally receive fees and commissions when we use its services as a qualified custodian, from securities transactions, and from lending securities to the Funds as part of an investment strategy like short selling. However, the availability to us of these products and service does not require us to commit any specific amount of business, such as assets under custody or trading commissions, to the prime broker. In addition, capital introduction programs do not represent a material aspect of our marketing efforts.

#### **Item 15 - Custody**

Rule 206(4)-2 under the Advisers Act imposes obligations on us relating to the custody of client funds and securities. With the exception of P Bowery Ltd., the Investment Manager has full access to and authority over Fund accounts since the Investment Manager or an affiliate serves as the General Partner of the Funds. Investors of the Funds will not receive statements from

the custodians. Instead the Funds are subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days (or as soon as reasonably practicable thereafter) of the each Fund's fiscal year end.

## **Item 16 - Investment Discretion**

The Investment Manager buys and sells securities and other instruments on a discretionary basis in a manner consistent with the investment objective, guidelines, and restrictions of each Fund as set forth in its Governing Documents, or in the case of P Bowery Ltd., the investment advisory agreement. The Investment Manager is authorized to determine, in accordance with these objectives, guidelines, and restrictions, but without obtaining the consent of any investor, (1) which securities or other financial instruments to buy or sell, (2) the total amount of securities or other financial instruments to buy or sell, (3) the executing broker-dealer for any transaction, and (4) the commission rates or commission equivalents charged for transactions. Investors in the Funds may not limit the discretionary authority of the Investment Manager as summarized in the four points directly above.

In addition to any formal investment objective, guidelines, or restrictions contained in the Governing Documents of a particular Fund, or the investment advisory agreement of P Bowery Ltd., we maintain informal risk management guidelines that may vary from time to time. These guidelines may address the number of core positions, a maximum sector exposure, a maximum illiquid-asset exposure, a maximum short exposure, and geographic diversification.

## **Item 17 - Voting Client Securities**

In accordance with section 206(4)-6 of the Advisers Act, we have implemented written policies and procedures governing proxy voting. Our policy requires us to vote proxies in the best interests of the Funds. We are permitted to abstain from proxy votes when voting would be costly or impractical or when we otherwise deem voting unnecessary or unwarranted in our commercially reasonable discretion. For example, if a proxy statement were written in a language other than English, obtaining a reliable translation might be uneconomic based on the relative value of the security in Fund portfolios.

We are responsible for voting proxies and do not accept direction from Fund investors. The chief financial officer or his designee maintains (1) a record of each abstention or vote cast, (2) as reasonably available, any documentation or explanation that supports the rationale for each abstention or vote cast, and (3) a record of each request by a current or prospective investor for proxy-voting records and our response. We use reasonable efforts to prepare documentation supporting the rationale for our votes, but only when we do not vote in line with management or when we abstain from voting. Otherwise, one of our employees will have reviewed the proxy-voting matter and agrees with management. When Funds are organized in a master-feeder structure, proxy voting typically occurs at the master-fund level.

The chief compliance officer is notified of, and maintains a log of, any conflict of interest that arises in proxy voting. Possible conflicts of interest include situations in which a third party attempts to influence our vote on a material issue or one or more Funds or an employee holds a material personal stake in an issuer or serves as an executive officer or director of the issuer. In consultation with the chief compliance officer, our portfolio manager approves the voting of all proxies that raise conflicts of interest.

Current and prospective investors may contact us by telephone at the number on the cover page of this firm brochure to obtain a copy of our proxy-voting policy and information with respect to how we have voted securities.

### **Class Action Litigation**

If we receive class-action documents on behalf of a Fund, we will determine whether we believe that it is in the best interest of the Fund to participate in, actively to opt out of, or to take no action with respect to the litigation. The portfolio manager will determine the action to be taken. If we opt out of a class-action settlement, we will maintain documentation of any written cost-benefit analysis that supports our decision.

### **Activist Activities**

We may invest in types of assets that potentially enable us to play an activist role in the management of the issuer. Our active management of these assets may include, but is not limited to, participation in endorsements, ad-hoc committees, and bankruptcy hearings. These activities do not have proxy notices associated with them and thus fall outside of the specific rules adopted by the SEC. However, as a fiduciary, we seek to manage our activist activities in the best interests of the Funds.

### **Item 18 - Financial Information**

This item is not applicable.

## **Brochure Supplement for Vladimir Jelisavcic**

We require all senior employees who are involved in determining or giving investment advice to have college educations and substantive experience in financial management. Other employees are not subject to minimum education and business standards.

### **Educational Background and Business Experience**

Vladimir Jelisavcic has been the portfolio manager of the Investment Manager since its inception. From 1999 to the present, he has served as a principal of Longacre Fund Management, LLC, an investment adviser registered with the SEC through mid-March 2013, where he managed several private investment funds through approximately April 2012. From 1993 to 1998, Mr. Jelisavcic was an associate, rising to a vice president, in the high-yield department of Bear, Stearns & Co., Inc., where he traded distressed bank loans and private notes and identified and analyzed investment opportunities in distressed securities. In 1991, Mr. Jelisavcic worked as a law clerk for the SEC in Los Angeles. From 1987 to 1990, he worked in the tax department of Deloitte & Touche. Mr. Jelisavcic was a certified public accountant and has authored articles on trading claims and creditor rights published in the *Journal of Corporation Law*. He earned a juris doctor (professional law degree) *cum laude* from the University of Iowa College of Law in 1993 and a bachelor's degree in accounting from New York University in 1987. Mr. Jelisavcic was born in 1965.

### **Disciplinary Information**

This item is not applicable.

### **Other Business Activities**

This item is not applicable.

### **Additional Compensation**

This item is not applicable.

### **Supervision**

Mr. Jelisavcic's activities are subject to the requirements of the Investment Manager's Compliance Manual, which is administered by the chief compliance officer, Kathryn Beller, who may be reached at 845.270.9025.