
Form ADV Part 2A: Firm Brochure

Kildonan Castle Asset Management, L.P.

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Principal Office

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This brochure provides information about the qualifications and business practices of Kildonan Castle Asset Management, L.P. and its affiliates (collectively “Kildonan Castle” or “Advisor”). For more information on the disclosure requirements required for Part 2A see the “General Instructions for Part 2 of Form ADV” by visiting www.sec.gov/rules/final/2010/ia-3060.pdf. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer at 212-356-7715 or email bgille@kildonancastle.com.

Additional information about Kildonan Castle is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Kildonan Castle is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Item 2: Material Changes

There have been no material changes to this brochure since its initial filing in November 2011. We encourage all recipients of this Brochure to read it carefully in its entirety.

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Item 4: Advisory Business

Kildonan Castle is an investment advisory firm organized as a limited partnership under the laws of the State of Delaware. Srinivas Dhulipala, Limited Partner and CIO of Kildonan Castle (the “CIO”) founded Kildonan Castle in 2011 and is its primary controlling limited partner. Robert Hamilton serves as the Firm’s President. The investment activities of Kildonan Castle are led by the CIO, together with Craig Leoce and Greg Gore (collectively the “Principals”). A number of other investment professionals will work with Kildonan Castle to execute its investment strategy.

Kildonan Castle serves as an investment manager and provides discretionary advisory services to several related collective investment vehicles, including private limited liability companies and foreign investment companies; together with any respective parallel funds, special purpose and/or subsidiary investment vehicles (collectively “the Funds”). Each Fund invests substantially all of its capital in a “master-feeder” structure, conducting its investment and trading activities indirectly through an investment in the Master Fund, an exempted company organized to conduct trading activities on behalf of the Funds. The purpose of the Master Fund is to achieve trading and administrative efficiencies. Thus, an investment in the Funds is the functional and economic equivalent of an investment in the Master Fund. Each Fund is responsible, as an investor in the Master Fund, for its *pro rata* share of the Master Fund’s operating and overhead expenses.

Each Fund, through its investment in the Master Fund, invests in both public and private debt securities, in derivatives, and in other instruments, both in the United States and Europe. As of December 31, 2013 Kildonan Castle managed \$563 million of assets on a discretionary basis on behalf of the Funds.

In providing services to the Funds, Kildonan Castle formulates each Fund’s investment objective, directs and manages the investment and reinvestment of each Fund’s assets, and provides reports to investors. Investment advice is provided directly to the Funds and not individually to the members or shareholders of the Funds (the “Investors”). Kildonan Castle manages the assets of the Funds in accordance with the terms of each Fund’s confidential offering and/or private placement memoranda, individual membership or shareholder agreements and other governing documents applicable to each Fund (the “Governing Fund Documents”). All terms are generally established at the time of the formation of a Fund, and are only terminable once the applicable Fund is dissolved, wound up, and terminated. The Investors may not restrict investments by the Funds in any capacity, and an investment in the Funds may be subject to lock-up and other withdrawal provisions.

Shares or membership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests or shares in the Funds are offered and sold exclusively to Investors satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions.

Item 5: Fees and Compensation

General

Kildonan Castle provides investment advisory services to each of the Funds pursuant to separate investment advisory and/or letter agreements (the “Agreements”). The Agreements for each Fund, along with specific organizational documents of the Fund, set forth in detail the fee structure relevant to each such Fund. The terms of the Agreements are generally established at the time of the formation of the applicable Fund.

Kildonan Castle typically receives compensation from fees based on a percentage of assets under management and profit allocations. Investors should review all fees charged by Kildonan Castle and others to fully understand the total amount of fees to be paid by a Fund and, indirectly, by their Investors.

Management Fee

The Funds pay Kildonan Castle an annual management fee (the “Management Fee”) at a rate of 1.5% (per annum). The Management Fee is payable quarterly in advance. Kildonan Castle and its affiliates reserve the right to waive or reduce management fees for certain investors, including employees, family members, strategic partners, advisors and consultants and others as may be determined in Kildonan Castle’s sole discretion. In the limited circumstances when a redemption/withdrawal is made as of a date other than the end of a calendar quarter, the Management Fee will be appropriately pro-rated and the excess returned to the relevant Investor. All fees received by Kildonan Castle are deducted directly from Fund or Investor accounts.

Profit Allocation

Generally, on the last day of a Fiscal Year or the date of a redemption, distribution or transfer of an Investor’s shares/interest, a portion of each Fund’s new net income may be allocated to the capital account of its Managing Member or Profit Allocation Shareholder as a “profit allocation.” The manner of calculation of such profit allocation is disclosed in the Governing Fund Documents, and may vary by fund. Generally, however, 15% - 17.5% of the investment profits of the Funds are allocated as profit allocation to such Funds’ Managing Member/Profit Allocation Shareholder subject to a High Water Mark. As is the case with Management Fees, Kildonan Castle and its affiliates reserve the right to waive or reduce profit allocation for certain investors, including employees, a limited number of strategic partners, advisors and consultants and others as may be determined in Kildonan Castle’s sole discretion.

Other Expenses Charged to the Funds

In addition to management fees and profit allocations, the Funds’ Investors will bear indirectly the fees and expenses charged to the Funds. The Master Fund will bear transaction fees and costs in connection with its investments and trading, including assignment fees, hedging costs, spreads, mark-ups on securities, swaps and forwards, commodity trading-related expenses, short dividends, currency and other hedging costs, brokerage commissions (including options and futures trades), interest expenses in respect of margin accounts, repurchase agreements and other indebtedness and other similar costs and expenses. The Funds, as an investor in the Master Fund, will generally each bear its *pro rata* share of these costs and expenses.

Investors should review all fees charged by Kildonan Castle, its affiliates, and others to fully understand the total amount of fees to be paid by the Funds and, indirectly, their Investors.

Organizational Expenses

The Master Fund will pay (including through reimbursement of Kildonan Castle) the expenses of organizing the Funds and the Master Fund and the initial offering of shares and interests in the Funds.

Other Expenses

The Funds will each bear its own expenses, including but not limited to, the Management Fee and fees payable to the Administrator, the Funds' legal, accounting, administrative expenses, auditing, tax preparation and other professional expenses, directors and officers insurance, the transaction expenses described above, filing fees and expenses, custodial fees, bank services fees, the costs of printing and distributing periodic and annual reports and statements, expenses relating to updating Fund disclosure materials or terms of investment, regulatory and compliance expenses directly related to the Fund, software, data bases and other technical and telecommunications services, equipment used in the investment management process and hardware directly related to the Fund, expenses paid to third-party vendors associated with the Funds' internal accounting, order management and risk management systems, interest on any indebtedness and other borrowing charges, the costs of brokerage services (for additional information, see "Item 12: Brokerage Practices," below), the Funds' pro rata share of the Master Funds' operational expenses (as described below) and the Funds' pro rata share of the operational expenses of any acquisition vehicles utilized (collectively, the "Operational Expenses"). To the extent that multiple funds or accounts advised by Kildonan Castle benefit from the same Operational Expenses, Kildonan Castle will equitably allocate such Operational Expenses among the Funds and such other funds and accounts. Kildonan Castle and its delegates will each bear the costs of providing their respective services to the Funds and the Master Fund, as applicable, including their general overhead (including Kildonan Castle's general regulatory and compliance expenses and the initial and ongoing costs and expenses associated with registration of Kildonan Castle as an investment adviser under the Advisers Act, if applicable), salaries of employees (including research analysts) and office expenses. Included in such costs borne by Kildonan Castle are expenses in connection with the ongoing offering of the shares and interests, including the cost of printing and distributing offering materials and other marketing materials (including, travel and other expenses paid to third-party vendors); general research-related expenses, including, without limitation, news, quotation, statistics and pricing services; hardware, software, data bases and other technical and telecommunications services and equipment used in the investment management process; fees and travel expenses in connection with investigating and monitoring potential and existing investments; and order management and risk management systems expenses and other expenses related to the investment decision and monitoring process. Notwithstanding the foregoing, in connection with researching specific transactions, investments or asset types, Kildonan Castle may engage third-party consultants, accountants, attorneys or other experts, and in connection therewith incur initial and ongoing specialized research, due diligence and monitoring related expenses. Such expenses will be borne by the Funds. Kildonan Castle will be entitled to reimbursement to the extent it advances expenses otherwise allocable to the Funds or the Master Fund as described above.

Item 6: Performance Based Fees and Side-by-Side Management

Kildonan Castle or its affiliates receive performance-based compensation in the form of a “profit allocation,” which calculation is based on the new net income generated during a performance period. The fact that a significant portion of the Advisor’s compensation (and its affiliates’ and investment professionals’ compensation) is directly computed on the basis of profits generated by the trading activities of the Funds may create an incentive for Kildonan Castle to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation.

From time to time, Kildonan Castle may permit certain Investors (including, but not limited to, Kildonan Castle and Mr. Dhulipala, as well as the affiliates, principals, partners and employees of Kildonan Castle and their respective families and any estate planning and/or other vehicles established by or on behalf of any of them) to acquire Shares on different economic terms than other Investors. The Funds also may offer additional Series of Shares subject to different Management Fees or Profit Allocations in its sole discretion and without prior notice to or consent of the Investors.

Kildonan Castle may in the future act as the investment adviser to investment entities and separately managed accounts with investment strategies and policies similar in many respects to, or very different from, those of the Funds. In particular, Kildonan Castle may offer certain potential clients the opportunity to participate in separately managed accounts which will be managed with an investment approach that is substantially similar to the approach Kildonan Castle anticipates taking in respect of the Funds. Kildonan Castle is responsible for the investment decisions made on behalf of the Funds. There are no restrictions on the ability of Kildonan Castle and its affiliates to manage accounts of other clients following the same or different investment objective, philosophy and strategy as those used for the Funds. The results of the Funds’ activities may differ significantly from the results achieved by Kildonan Castle for any other accounts or clients for which it may manage or provide investment advisory services. Insofar as Kildonan Castle provides services for other accounts or clients, it will seek to allocate orders and investment opportunities in a manner that it believes is in the best interests of all the accounts or clients. Although such allocations may be *pro rata* as to the Funds and other participating entities and clients, they will not necessarily be so, where Kildonan Castle’s allocation policies (*e.g.*, differing objectives or other considerations) dictate a different result. In cases where a limited amount of an instrument is available for purchase, the allocation of such instrument, as between the Funds and any such other managed entities and clients, may necessarily reduce the amount available for purchase by the Funds. There can be no assurance that a particular order or investment opportunity will be allocated in a particular manner. If conflicts arise in the allocation of investment opportunities, Kildonan Castle will seek to resolve such conflicts fairly. The foregoing policy does not require that each opportunity be made available to all accounts, leaving significant discretion to Kildonan Castle. For example, there may be accounts with different objectives, so that the same transaction would not necessarily be made available to all accounts.

Item 7: Types of Clients

Kildonan Castle provides discretionary management and advisory services to the Funds directly, subject to the direction and control of the Managing Member or Board of Directors of each Fund,

and not individually to the Investors. Investors in the Funds may include, but are not limited to, high net worth individuals, pension plans (corporate, state and foreign), sovereign wealth funds, endowments, foundations, banks, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities.

The minimum commitment for an Investor is \$10 million; however, Kildonan Castle maintains discretion to accept less than the minimum investment threshold. Investors will be required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act and “qualified purchasers” as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940 (the “Company Act”) and the rules promulgated thereunder. The Funds have the right to permit participation by other Investors if such participation and the related offers and sales would not result in the requirement to register the offer or sale of shares or interests under the Securities Act or to register the Funds under the Company Act. All investors in the Funds must meet other suitability requirements. Details concerning applicable Investor suitability criteria are set forth in the respective Governing Fund Documents and subscription materials, which are furnished to each Investor.

The Funds may enter into separate agreements, commonly referred to as “side letters,” or other similar agreements with a particular Investor in connection with its admission to one of Kildonan Castle’s private investment funds without the approval of any other Investor, which would have the effect of establishing rights under or supplementing the terms of the applicable fund’s subscription documents and agreements with respect to such Investor in a manner more favorable to such Investor than those applicable to other Investors. Such terms may include, but are not limited to, (i) the reduction, waiver or different calculation of Management Fees and the Profit Allocation, including with respect to investments made by Kildonan Castle and Mr. Dhulipala, as well as the affiliates, principals, partners and employees of Kildonan Castle and their respective families and any estate planning and/or other vehicles established by or on behalf of any of them; (ii) the commitment to permit future investments in the Fund by such Investors when the Fund is otherwise closed to new or additional investments; and (iii) undertakings designed to protect an Investor from violating an applicable statute or administrative regulation.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

The investment criteria of Kildonan Castle are designed to identify fundamentally attractive opportunities of all kinds as influenced by a thematic view of macro and market developments. Kildonan Castle invests in both public and private debt securities, in derivatives, and in other instruments, both in the United States and Europe. The Advisor will target attractive returns with minimum correlation to broadly based stock and bond indices. More generally, however, Kildonan Castle intends to follow a flexible approach in order to be in a position to capitalize on investment opportunities in the financial markets if they meet a client’s standards of investment merit. The Advisor evaluates specific fundamental investment opportunities across a broad range of industrial sectors and geographies. Kildonan Castle is authorized to acquire securities, interests or other financial instruments on behalf of clients for which there is no ready market, such as private or restricted securities. These investments may include securities, interests or other financial instruments that are subject to legal or contractual restrictions on sale, are not traded on any exchange or in the over-the-counter market or that Kildonan Castle determines should be held

until the resolution of a special event or circumstance. The Advisor may employ leverage to enhance returns subject to regulatory limits and contractual limitations imposed by prime brokers and other lenders. Leverage may take the form of trading on margin, investing in derivative instruments that are inherently leveraged, and entering into other forms of direct or indirect borrowing.

Associated Risks

All investing involves a risk of loss that clients should be prepared to bear. The investment strategy offered by the Advisor could lose money over short or even long periods. No guarantee or representation is made that a client will achieve its investment objective or will receive a return of their capital.

The descriptions contained below are a brief overview of different risks related to the Advisor's investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Advisor.

Potential Loss of Investment. There is no assurance that the Advisor will be able to generate returns for its clients or that the returns will be commensurate with the risks of investing in the types of securities described herein. There can be no assurance that a client's investment objectives will be achieved or that there will be any return of capital. The past investment performance of the entities with which officers and employees of the Advisor have been associated cannot be taken to guarantee future results of any client.

Material Non-Public Information. Kildonan Castle may from time to time inadvertently or intentionally come into possession of material non-public information concerning specific companies. Under applicable securities laws, this may limit Kildonan Castle's ability to buy or sell securities issued by such companies on behalf of clients. Similarly, Kildonan Castle may decline to receive material non-public information in order to avoid trading restrictions with regard to any other investment vehicle advised or managed by Kildonan Castle, even though access to such information might have been advantageous to clients and other market participants are in possession of such information.

Competition. The amount of capital committed to "alternative investment strategies" has increased dramatically during recent years. At the same time, market conditions have become significantly more adverse to many of such strategies than they were in previous years. The profit potential of clients may be materially reduced as a result of the increased competition within the alternative investment field.

Evolving and New Investment Approaches. Kildonan Castle's investment approach and trading techniques will be continually evolving. Kildonan Castle is not restricted from developing or incubating new strategies or approaches and deploying clients' capital in accordance with such new strategies and approaches, even if Kildonan Castle has limited experience in the type of markets or instruments involved. The strategies and approaches developed by Kildonan Castle may not be successful and the resources devoted to the implementation of new approaches or

strategies may diminish the effectiveness of Kildonan Castle's implementation of established approaches or strategies.

Importance of Individual Judgment. The individual judgment and discretion of Kildonan Castle's personnel are fundamental to the implementation of its strategies. There can be no assurance that such individual judgment will be accurate, achieve profits or avoid losses.

No Material Restrictions. The Advisor opportunistically implements whatever strategies are believed may be best suited to prevailing market conditions and to Kildonan Castle's investment approach, without material restrictions. Such strategies may involve higher levels of risk than the ones discussed herein. There can be no assurance that Kildonan Castle will be successful in applying any strategy.

Special Situations. Kildonan Castle may invest in issuers involved in (or the target of) acquisition attempts or tender offers or issuers involved in work outs, liquidations, spin offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to clients of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, clients may be required to sell an investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled issuers in which clients may invest, there is a potential risk of loss by clients of the entire investment in such issuers.

Fixed Income Investments. The Advisor seeks to invest in investment-grade and subinvestment grade fixed-income securities, including unrated fixed-income securities if determined to be of comparable quality by Kildonan Castle, of U.S. issuers, including, without limitation, U.S. dollar denominated bonds, notes and debentures issued by both public and private corporations and that are subject to resale pursuant to Rule 144A or other legal restrictions on resale; debt securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities; money-market securities and commercial paper; and other types of instruments including exchange-traded funds. Fixed-income securities pay fixed, variable or floating rates of interest. The value of fixed-income securities in which the Advisor invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed-income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). The fixed income investments of the Advisor are subject to credit, liquidity and interest rate risk.

International Investing. Investing outside the United States may involve greater risks than investing in the United States. These risks include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and

application of laws. Moreover, foreign companies are generally not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to United States companies. Foreign markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Delays in settlement could result in periods when assets of clients are uninvested and no return is earned thereon. The inability of the Advisor to make intended investments due to settlement problems or the risk of intermediary counterparty failures could cause clients to miss investment opportunities. The inability to dispose of an investment due to settlement problems could result either in losses to clients due to subsequent declines in the value of such investment or, if clients have entered into a contract to sell the security, could result in possible liability to the purchaser. Transaction costs of buying and selling foreign securities, including brokerage, tax and custody costs, also are generally higher than those involved in domestic transactions. Furthermore, foreign financial markets, while generally growing in volume, have, for the most part, substantially less volume than U.S. markets, and securities of many foreign companies are less liquid and their prices more volatile than securities of comparable domestic companies. The economies of individual non-U.S. countries may also differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resources self-sufficiency and balance of payments position.

Illiquid Investments. The Advisor may from time to time make limited investments in restricted, as well as thinly traded, instruments and securities (including privately placed securities and instruments, which are assets subject to Rule 144A). There may be no trading market for these securities and instruments, and the Advisor might only be able to liquidate these positions, if at all, at disadvantageous prices. As a result, clients may be required to hold such securities despite adverse price movements.

Leverage. Losses incurred on clients' leveraged investments will increase in direct proportion to the degree of leverage employed. Clients will also incur interest expense on the borrowings used to leverage its positions. The use of leverage also may result in the forced liquidation of positions (which may otherwise have been profitable) as a result of margin or collateral calls. To the extent the assets of clients have been leveraged through the borrowing of money, the purchase of securities on margin or otherwise, the interest expense and other costs and premiums incurred in relation thereto may not be recovered. If gains earned by a client's portfolio fail to cover such costs, the value of a client's portfolio may decrease faster than if there had been no borrowings.

Hedging. Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of a client's securities or other objective of Kildonan Castle; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by Kildonan Castle; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen a client's position; and (v) default or refusal to perform on the part of the counterparty with which the Advisor trades. Kildonan Castle will not, in general, attempt to hedge all market or other risks inherent in clients' positions, and hedges certain risks, if at all, only partially. Specifically, Kildonan Castle may choose not, or may

determine that it is economically unattractive, to hedge certain risks — either in respect of particular positions or in respect of a client’s overall portfolio. Kildonan Castle may rely on diversification to control such risks to the extent that Kildonan Castle believes it is desirable to do so. The ability of the Advisor to hedge successfully will depend on the ability of Kildonan Castle to predict pertinent market movements, which cannot be assured. Kildonan Castle is not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. Moreover, it should be noted that clients will always be exposed to certain risks that cannot be hedged, such as counterparty credit risk. Furthermore, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

Reliance on Key Personnel. The operations of Kildonan Castle are substantially dependent upon the skill, judgment and expertise of certain key personnel. The death, disability or other unavailability of such personnel could be material and adverse to clients.

Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client’s or investor’s evaluation of the adviser or the integrity of the adviser’s management. Neither Kildonan Castle nor any of its officers, directors, employees or other management persons, have been involved in any legal or disciplinary events that would require disclosure in response to this Item.

Item 10: Other Financial Industry Activities and Affiliations

Pooled Investment Vehicles

Kildonan Castle organizes and sponsors the Funds, which are private investment companies. These pooled investment vehicles managed by Kildonan Castle are controlled by affiliated entities (“Affiliated Entities”). Kildonan Castle or the Affiliated Entities will be responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of the Funds’ investment activities. While the Affiliated Entities are not separately registered as investment advisers with the SEC, all of their investment advisory activities are subject to the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and the rules thereunder. In addition, employees and persons acting on behalf of the Affiliated Entities are subject to the supervision and control of Kildonan Castle. Thus, the Affiliated Entities, all of its employees and the persons acting on its behalf would be “persons associated with” the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the Affiliated Entities.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Pursuant to Rule 204A-1 under the Advisers Act, Kildonan Castle has adopted a written Code of Ethics (the “Code”) predicated on the principle that the Advisor owes a fiduciary duty to the Funds. The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, members, partners or employees of Kildonan Castle (the “Employees”), and each Employee’s spouse, minor children and other family members living in his or her household. The Advisor requires its Employees to act in the Funds’ best interests, abide by all

applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

The Advisor generally prohibits the purchase or sale of corporate debt and equity securities; requires pre-clearance before purchasing a limited offering (i.e., private placement); requires periodic reporting of Employees' personal securities transactions and all holdings; and requires prompt internal reporting of Code violations. Employees are generally permitted to conduct personal securities transactions in ETFs, mutual funds, index options and commodities. Employees are also permitted to liquidate (but not add to) other securities positions owned upon commencement of employment with the Advisor. Kildonan Castle endeavors to maintain current and accurate records of all personal securities accounts of its Employees in an effort to monitor all such activity. A copy of Kildonan Castle's Code is available upon request.

The Advisor, its employees or a related entity will have an investment in each Fund. For example, the Managing Member/Profit Allocation Shareholder for each Fund is 100% owned by Kildonan Castle's individual partners and other investment professionals working for Kildonan Castle. In addition, Kildonan Castle and its Employees will participate in the Funds' investment program by agreeing to commit a certain percentage of the Funds' total capital commitments or a certain amount as defined in the Funds' governing documents. Therefore, Kildonan Castle, its employees or a related entity participate in transactions effected for Funds.

Item 12: Brokerage Practices

The Investment Management Agreement provides that Kildonan Castle may select the prime brokers for the Master Fund and may cause the Master Fund to pay, or authorize the payment and reimbursement of, brokerage commissions (including those that may be in excess of the lowest rates available that are paid to brokers who execute transactions for the account of the Master Fund and who supply or pay for the cost of brokerage, research or execution services utilized by the Master Fund). In choosing brokers and dealers, Kildonan Castle is not required to consider any particular criteria. For the most part, Kildonan Castle seeks the best combination of brokerage cost and execution quality. However, Kildonan Castle is not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Kildonan Castle may consider the value of various services or products, beyond execution, that a broker-dealer provides to the Master Fund and/or Kildonan Castle. Because many of those services could benefit Kildonan Castle, Kildonan Castle may have a conflict of interest in allocating the Master Fund's brokerage business. Kildonan Castle may utilize brokers who may direct or refer investment opportunities or introduce prospective investors to the Funds, but such referrals will not be a criteria for selection of brokers. The Master Fund is not required to allocate either a stated dollar or stated percentage of its transactions to any broker-dealer for any minimum time period, and will review such relationships periodically.

Any and all costs that result from any errors or mistakes of Kildonan Castle with respect to Kildonan Castle's placing or executing trades for the Funds or any other administrative errors made by Kildonan Castle, its agents and affiliates ("Trade or Administrative Errors") will be paid by Kildonan Castle, and not by the Funds. The Funds will not reimburse Kildonan Castle for any such Trade or Administrative Error. Any correction of a Trade or Administrative Error will only be made to the extent required so that the Funds do not incur a loss related to such Trade or

Administrative Error. Kildonan Castle has an inherent conflict of interest with respect to the discovery and treatment of Trade or Administrative Errors. Any gain resulting from Trade or Administrative Errors will be for the benefit of the Funds, and will not be retained by Kildonan Castle.

It is not generally anticipated that the Master Fund will enter into transactions in which Kildonan Castle and/or an affiliate participates or has a significant economic interest. Moreover, Kildonan Castle does not generally anticipate effecting client cross-transactions where Kildonan Castle causes a transaction to be effected between (i) the Master Fund and (ii) another account advised by it or any of its affiliates. However, if Kildonan Castle determines it is in the best interests of the Master Fund to enter into any such related party transaction, and if such transaction is subject to the disclosure and consent requirements of Section 206(3) of the Advisers Act, such requirements will be satisfied with respect to the Master Fund, the Funds and all Investors if disclosure is given to, and consent obtained from, the members of the respective Boards of Directors who are not affiliated with Kildonan Castle.

Item 13: Review of Accounts

All investments are carefully reviewed and approved by Kildonan Castle's investment team, which includes the CIO and other investment personnel. The Funds' investments are reviewed on a continuous basis and the investment personnel meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

Investors generally will be provided with monthly risk-report letters, monthly unaudited account statements, monthly statements of the Master Fund's portfolio holdings with a 30-day lag, quarterly update letters and audited annual financial statements prepared in accordance with GAAP. Certain data regarding the positions in the Master Fund's portfolio and the profit and loss in the Funds, each as of the end of each calendar month, will be made available upon request within 10 Business Days after the end of such calendar month.

Item 14: Client Referrals and Other Compensation

Not applicable.

Item 15: Custody

Kildonan Castle has access to client accounts (i.e., the Funds) since it or an affiliate serves as the Managing Member, or on the Board of Directors, of the Funds and therefore is deemed to have custody under Rule 206(4)-2 even though Kildonan Castle does not physically hold the securities and other assets of the Funds. Investors will not receive statements from any custodians. Instead, the Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end.

Item 16: Investment Discretion

In accordance with the terms and conditions of the Governing Fund Documents, and subject to the direction and control of the Managing Member/Board of Directors of each Fund, the Advisor generally has discretionary authority to determine, without obtaining specific consent from the Funds or its Investors, the securities and the amounts to be bought or sold on behalf of the Funds, and to perform the day-to-day investment operations of the Funds.

Item 17: Voting Client Securities

Kildonan Castle's Funds are primarily invested in debt instruments which typically do not issue proxies. However, upon rare occasion, Kildonan Castle may receive proxies in connection with any publicly traded equity investments, in which case Kildonan Castle accepts authority to vote such securities.

It is the policy of Kildonan Castle when exercising voting rights to do so on behalf of the Funds in the interest of maximizing Fund investor value. To that end, Kildonan Castle will vote in a way that it believes, consistent with its fiduciary duty, will, over time, cause the value of the investment to increase the most or decline the least. The Funds may not direct the vote of a particular proxy solicitation. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote. Kildonan Castle will resolve any conflicts of interest that may arise between Kildonan Castle and the Funds and their investors for the benefit of the Funds and their investors before exercising its voting rights.

The Funds, including, as appropriate, their boards of directors or trustees, may obtain information about how Kildonan Castle has exercised voting rights with respect to assets held by such clients and may obtain a copy of Kildonan Castle's proxy voting policies and procedures by request to Kildonan Castle. It is Kildonan Castle's policy not to reveal or disclose to any investor in any Fund how Kildonan Castle may have voted (or intends to vote) on a particular matter. Kildonan Castle will never disclose such information to unrelated third parties unless doing so would be in the Fund's best interest.

Item 18: Financial Information

A balance sheet is not required to be provided as Kildonan Castle (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.