

# **GREEN OWL CAPITAL MANAGEMENT, LLC**

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## **FORM ADV**

### **PART 2A BROCHURE**

**Updated as of: March 28, 2014**

#### **ITEM 1: COVER PAGE**

This Brochure provides information about the qualifications and business practices of Green Owl Capital Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (212) 561-5722. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authorities.

Additional information about Green Owl Capital Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The IARD/CRD number for Green Owl Capital Management, LLC is 166367.

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

The brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described in this brochure.

**ITEM 2: MATERIAL CHANGES**

As this is the initial filing of Form ADV Part 2A for Green Owl Capital Management, LLC, there are no material changes to report

We will provide you with a new Brochure, as necessary, based on changes or new information, at any time, without charge.

Our Brochure may be requested by contacting Greg Chew, Chief Compliance Officer, at (212) 561-5722 or [greg@gocaphedge.com](mailto:greg@gocaphedge.com).

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#### **ITEM 4: ADVISORY BUSINESS**

Green Owl Capital Management, LLC (“GOCM”) was founded in July 2012 and is organized as a limited liability company under the laws of the State of Delaware. Ross Berman, Managing Member, is the principal owner and portfolio manager of GOCM. The investment activities of GOCM are led by Mr. Berman, as Chief Investment Officer. A number of other investment professionals work with Mr. Berman to execute GOCM’s investment strategy.

GOCM serves as investment manager and provides investment management and certain administrative services to pooled investment vehicles, which are commonly referred to as hedge funds.

We manage the assets of two private funds, an onshore and an offshore fund, that are organized in a master-feeder structure that we will refer to as the GOCM Funds, each a “Fund” and, collectively the “Funds.”

- GOCM Fund, L.P. (onshore)
- GOCM Offshore Fund, Ltd. (offshore)
- GOCM Master Fund, LP (master)

GOCM employs a differentiated approach towards equity investing. At its core the strategy is event-driven, focused on fundamental research on companies whose equity will be revalued by a catalyst. Special attention to trade structuring, with a particular focus on options, is the second core tenet of the GOCM approach.

As of March 1, 2014, our assets under management were \$91.5 million, all of which are managed on a discretionary basis.

#### **ITEM 5: FEES AND COMPENSATION**

GOCM charges an asset-based investment management fee based on the value of the client’s assets under management on such terms that are set forth in the applicable Fund’s confidential offering memorandum, individual limited partnership or shareholder agreements and other governing documents applicable to each Fund (collectively the “Governing Documents”). In addition, an affiliate of GOCM receives an allocation of profits (“performance allocation”) that is based on a share of capital gains or capital appreciation of the assets of each Fund. The Funds’ investors are subject to these management fees and performance allocations, as applicable, indirectly through their investment in a Fund.

##### Management Fees

Management fees are charged quarterly in advance based on the value of the master fund's assets as of the first day of the quarter and payable to GOCM. Management fees are deducted in determining the net asset value of each Fund. The annual management fee is typically 2.00% of each Fund's assets under management.

#### Performance Allocation

The master fund is subject to an annual performance allocation as set forth in the Governing Documents. The performance allocation is allocated from each investor's account at the end of the calendar year to an account established on behalf of an affiliate of GOCM, Green Owl Capital, LLC ("GO Capital"). A performance allocation is also made at the time of an investor's withdrawal or redemption, as applicable.

The management fee and/or performance allocation may be waived or modified for Fund investors that are large or strategic investors, including employees of GOCM and its affiliates.

#### Early Withdrawal Fees

Investors in the Funds are subject to a withdrawal fee if they redeem or withdraw an investment in the Funds within the first twelve months from the date the initial investment in such Fund is made. The charge is equal to 3% of the value of the redemption payable to the Fund.

#### Expenses

Each of the Funds will generally bear their own operating and other expenses which may include all costs and expenses related to its investments and its operations, including, without limitation, brokerage and other transaction costs, clearing and settlement charges, trade break fees, consulting expenses, research expenses (including related travel expenses), legal fees and other expenses in connection with conducting due diligence and negotiating the terms of certain investments, custodial fees, initial and variation margin, interest and commitment fees on debit balances or borrowings, stock borrowing fees and proxy solicitation expenses, legal expenses, audit and tax preparation expenses, accounting fees, directors fees, the Fund's administration expenses (including, but not limited to, fees and expenses of an administrator), fees and expenses for risk management services, insurance expenses including costs of any liability insurance obtained on behalf of the Fund, indemnification expenses, the management fee, regulatory costs and expenses (including filing and license fees), costs and expenses associated with the preparation and filing of Form PF and any other legal or regulatory filings applicable to the Fund, trust and other fees associated with the holding of "Management Shares" issued by the offshore fund, any issue or transfer taxes chargeable in connection with any securities transactions, any entity level taxes and fees, costs of reporting and providing information to Shareholders, and costs of litigation or investigation involving Fund activities, and any extraordinary expenses. Expenses related to one or more particular classes will be allocated accordingly by the applicable Fund. Each of the Funds will also be responsible for its pro rata portion of the master fund's costs and expenses, the nature of

which expenses are anticipated to be similar to those of the Funds. A portion of the Funds' and the master fund's operating expenses may be shared with other investment entities or accounts managed by the GOCM or their affiliates on an equitable basis.

For more information regarding GOCM's brokerage practices and brokerage expenses discussed herein, please see Item 12.

GOCM and its supervised persons do not accept any compensation (e.g., brokerage commissions) for the sale of securities or other investment products, including interests or shares in the Funds, as applicable

#### **ITEM 6: PERFORMANCE-BASED FEES**

GO Capital is entitled to receive from the master fund a performance-based allocation generally at the end of each calendar year. The Performance Allocation is an amount equal to a percentage (as set forth in the Governing Documents) of the net increase of each investor's capital account or share holdings, as applicable (that is, a share of capital gains on, income derived from, or appreciation of the investment (whether realized or unrealized)) in the applicable Fund, measured at the beginning of such calendar year and subject to a high-water mark.

The Performance Allocation may create an incentive for GOCM to make more speculative investments than would otherwise be made or make decisions regarding the timing and manner of realization of investments differently than if such allocations were not received.

#### **ITEM 7: TYPES OF CLIENTS**

We provide advisory services to the Funds, which are pooled investment vehicles. The underlying investors in the Funds typically include:

- endowments and foundations;
- family offices;
- high net worth individuals;
- funds of hedge funds;
- institutional investors.

The Funds require a minimum subscription amount of US \$5,000,000; however, we may accept lesser amounts in our sole discretion.

Details concerning applicable investor suitability criteria are set forth in the respective Fund's Governing Documents. The minimum commitment for an investor is outlined in the respective Fund's Governing Documents, including the discretion of GOCM and its affiliates to accept less than the minimum investment threshold. To comply with Securities and Exchange Commission regulation, we require that

U.S. Persons (as defined in Regulation S under the Securities Act of 1933, as amended (the “Securities Act”)) meet certain suitability qualifications, such as being (i) an “accredited investor” as defined under Rule 501(a) of Regulation D of the Securities Act and (ii) a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act, as amended. We reserve the right to reject any subscriptions.

## **ITEM 8: METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### General

GOCM employs a differentiated approach towards equity investing. At its core the strategy is event-driven, focused on fundamental research on companies whose equity will be revalued by a catalyst. Special attention to trade structuring, with a particular focus on options, is the second core tenet of the GOCM approach. In managing the Funds, GOCM seeks to deliver above-average capital appreciation by identifying profit opportunities in both rising and falling markets.

Our strategy is focused on deep fundamental analysis in equities and structuring investments in various instruments that create asymmetrical payoff profiles. We focus primarily in the U.S. markets and seek to structure a portfolio for the Funds of exchange-traded put and call options on U.S. listed equities, indices, and ETFs, and their corresponding underliers. We may also invest in over-the-counter derivatives, forwards, futures and other derivatives, instruments issued by non-U.S. issuers or which otherwise are not U.S.-listed, publicly distributed or privately held bonds, debentures, notes, and other debt, equity, and hybrid securities or instruments. We believe that this combination of assets will allow the Funds to achieve their investment objective while at the same time providing limited protection against market downturns. It should be noted, however, that there are no limits on the instruments or markets in which the Funds may invest.

***Fundamental Research.*** Our research team performs fundamental research on the proposed investment idea to determine the fundamental value of the company and understanding of how a catalyst will re-price the market value of the equity.

This may include analysis of a variety of factors related to specific companies, including industry issues, company dynamics, company management, accounting issues, financial statements and valuation. Our bottom-up research process is based on our knowledge of the companies we follow and our ability to identify important marginal changes in the drivers of a company’s business and valuation. The process usually involves quantitative and qualitative screening of securities to identify candidate for either long or short positions. These candidates are then scrutinized to develop the investment thesis and corroborate its validity.

Each underlying thesis for a trade usually includes an identifiable catalyst which is expected to cause the market to revalue a company’s equity.

**Scenario Analysis.** The Portfolio Manager, Ross Berman, and the trading team may analyze the relevant option markets to determine the market's expectations of how the catalyst will affect the price of the equity. The key is our team's understanding of the market's expectation and what is, or is not, being factored into the price of the relevant options. The PM may perform various scenario analyses to determine the risk/reward of the potential trade.

**Risk Management.** Our Portfolio Manager has final authority for the funds we manage. With input from our Investment Team and Quantitative Risk Analyst they determine the trade structure and sizing of the position. To aid in the proper trade structure, we utilize third-party risk systems that work in conjunction with our internal risk system. We generally seek prudent concentration in sector and individual securities. While we expect to adhere to these guidelines, they are not strict position or sectors limits, and we may deviate from the guideline from time to time without notice to investors.

However, these risk management techniques may not be fully effective in mitigating the Fund's risk exposure in all economic or market environments or against all types of risk, including risks that GOCM might fail to identify or anticipate. Some of GOCM's strategies for managing risk are based on the use of observed historical market behavior as well as hypothetical scenario analysis. GOCM will apply statistical and other tools to these observations to quantify the Fund's risk exposure. Any failures in GOCM's risk management techniques to accurately quantify risk exposure could limit GOCM's ability to manage risks or to see adequate risk-adjusted returns. In addition, any risk management failures could cause the Fund's losses to be significantly greater than the measures indicate. GOCM's risk management does not take all risks into account, potentially exposing the Fund to material unanticipated losses.

**Investment Technique.** We utilize a variety of investment techniques, including the use of short selling, leverage, options and derivatives, in seeking to achieve our investment objective. We have the right to utilize other investment techniques in furtherance of these investment objectives.

### Material Risks

The following is an explanation of the material risks that GOCM believes are associated with its investment strategy. Unless stated otherwise, each risk applies to all of the Funds and references to "the Fund" means each Fund and the master fund. Further discussion of these and other risks associated with an investment in each Fund are set forth in the applicable Fund's Governing Documents. The following risk factors do not purport to be a complete list or explanation of all the risks associated with an investment in one or more of the Funds.

**Risk of Loss.** The Fund may be deemed to be a speculative investment and is not intended as a complete investment program. The Fund is designed only for sophisticated persons who are able to bear the risk of an investment in the Fund. The following does not purport to be a summary of all of the risks associated with an investment in the Fund. Rather, the following describes certain specific risks to which the Funds (and, therefore, the investors in the Funds) are subject and with respect to which



GOCM strongly encourages potential investors to carefully consider and to consult regarding the same with their professional advisors, as they deem necessary.

***Investment and Trading Risks.*** An investment in the Fund involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that the Fund's investment program will be successful. GOCM will be investing substantially all of the Fund's assets in securities, some of which may be particularly sensitive to economic, market, industry and other variable conditions. The markets in which the Fund expects to invest have in recent years experienced and continue to experience significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Fund.

***Risks of Investments in Options.*** Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (*i.e.*, the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (*i.e.*, sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. Over-the-counter options that the Fund may use in its investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for options is relatively illiquid, particularly for relatively small transactions.

***Put and Call Options.*** The Fund may purchase exchange-listed and over-the-counter ("OTC") put and call options. In addition, the Fund may write and sell covered or uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Options written by the Fund may be wholly or partially covered (meaning that the Fund holds an offsetting position) or uncovered. Options on specific investments may be used by the Fund to seek enhanced profits with respect to a particular investment. Alternatively, they may be used for various defensive or hedging purposes. For example, they may be used to protect against a future adverse change in the market price of particular portfolio investments held by the Fund without requiring a sale of the investments.

Use of put and call options may result in losses to the Fund, force the sale or purchase of portfolio investments at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation the Fund can realize on their investments or cause the Fund to hold an investment it might otherwise sell. For example, a

decline in the market price of a particular investment could result in a complete loss of the amount expended by the Fund to purchase a call option (equal to the premium paid for the option and any associated transaction charges). An adverse price movement may result in unanticipated losses with respect to covered options sold by the Fund. The use of uncovered option writing techniques may entail greater risks of potential loss to the Fund than other forms of options transactions. For example, a rise in the market price of the underlying investment will result in the Fund realizing a loss on the calls written, which would not be offset by the increase in the value of the underlying investments to the extent the call option position was uncovered.

***Overvalued/Undervalued Instruments.*** One of the objectives of the Fund may be to identify and invest in instruments that GOCM perceives to be undervalued or overvalued ("Mis-valued Instruments"). The identification of investment opportunities in Mis-valued Instruments is a difficult task, and there can be no assurance that such opportunities will be successfully recognized. While purchases of undervalued securities and short sales of overvalued securities offer opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the investments of the Fund may not adequately compensate for the business and financial risks assumed. For example, the Fund may be required to maintain positions in such securities for a substantial period of time before realizing their anticipated value, and during this period, the capital committed to a position in these instruments might prevent the Fund from investing in other opportunities. In addition, the Fund may finance any such purchases with borrowed funds and thus will have to pay interest on such funds during such holding period, which carrying costs may exceed the gain from the investment position(s) they financed. Furthermore, there can be no assurance that instruments identified by GOCM as being mis-valued Instruments will in fact be mis-valued.

***Hedging.*** The Fund may utilize certain financial instruments and investment techniques for risk management or hedging purposes. There is no assurance that such risk management and hedging strategies will be successful, as such success will depend on, among other factors, GOCM's ability to predict the future correlation, if any, between the performances of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Fund's hedging strategies may also be subject to GOCM's ability to correctly readjust and execute hedges in an efficient and timely manner. There is also a risk that such correlation will change over time rendering the hedge ineffective. It may be more difficult to hedge a position in a smaller cap issuer than a larger-cap issuer. The Fund's portfolio is not expected to be completely hedged at all times and at various times GOCM may elect to be more fully hedged and at other times hedged only to a limited extent, if at all. Accordingly, the Fund's assets may not be adequately protected from market volatility and other conditions.

***Limited Diversification.*** At any given time, it is possible that the Fund may make investments that are concentrated in a particular type of security, industry, geographic location or market capitalization. This limited diversity could expose the Fund to significantly greater volatility than in a more diversified portfolio.

***Use of Leverage.*** GOCM may leverage the Fund’s portfolio through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases returns to investors if the Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns to investors if the Fund fails to earn as much on such incremental investments as it pays for such funds. In the event that the Fund leverages its portfolio, fluctuations in the market value of the Fund’s portfolio will have a significant effect in relation to the Fund’s capital and the risk of loss and the possibility of gain will each be increased. In addition, when the Fund utilizes leverage, the level of interest rates generally, and the rates at which the Fund can borrow in particular, will be an expense of the Fund and therefore affect the operating results of the Fund. Leverage increases the risk of substantial losses (including the risk of a total loss of capital), and leverage can significantly magnify the volatility of the Fund’s portfolio.

The Fund may use short-term margin borrowing in purchasing securities positions. Such borrowing, if made, may result in certain additional risks to the Fund. For example, should the securities pledged to brokers to secure the Fund’s margin accounts decline in value, the Fund could be subject to a “margin call” pursuant to which the Fund would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of the Fund’s assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

***Equity Securities Generally.*** The Fund may invest in equity securities and equity derivatives. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from GOCM’s expectations or if equity markets generally move in a single direction and the Fund has not hedged against such a general move. The Fund also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

***Short Sales.*** GOCM may engage in short sales as part of hedging transactions or when it believes securities are overvalued. Short sales are sales of securities the Fund borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and the Fund will be able to make a profit by purchasing the securities at a later date at the lower prices. The Fund will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a “long” position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to recent market events, including the imposition of restrictions on short selling certain securities and reporting requirements. The Fund’s ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions

adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of the Fund. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may impose restrictions that adversely affect the Fund's ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, the Fund may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. The Fund may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and the Fund is subject to strict delivery requirements. The inability of the Fund to deliver securities within the required time frame may subject the Fund to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Fund to unintended costs and losses. Certain action or inaction by third-parties, such as executing broker-dealers or clearing broker-dealers, may materially impact the Fund's ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale affected by a third-party unrelated to the Fund.

***Purchasing Securities of Initial Public Offering.*** From time to time the Fund may purchase securities that are part of initial public offerings. The prices of these securities may be very volatile. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for the Fund to trade these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities. The Fund may invest in securities that are "new issues," as defined in the rules of the Financial Industry Regulatory Authority, which restrict certain persons from participating in "new issues." The Governing Documents provide a mechanism for the purchase of new issues that excludes participation in such investment by any investor that is deemed restricted.

***Swap Transactions.*** The Fund may enter into swap agreements with respect to securities, indexes of securities and other assets or other measures of risk or return. Swap agreements are typically two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to many years. In a standard "swap" transaction, two parties agree to exchange the returns (or the differential in rates of return) earned or realized on particular predetermined investments, instruments, or indices. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount." Whether the Fund's use of swap agreements will be successful will depend on GOCM's ability to select appropriate transactions for the Fund. Swap transactions may be highly illiquid.

Moreover, the Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Fund's ability to terminate existing swap transactions or to realize amounts to be received under such transactions. Swaps and certain other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Total return swaps are another form of swap transaction that the Fund may utilize in its investment program. A total return swap allows the total return receiver to receive the change in market value of an asset (whether a security, interest rate, form of debt, currency or other asset) from the total return payer in return for paying a floating or fixed interest-rate on a predetermined amount. The total return payer is synthetically short and the total return receiver is synthetically long. Thus, total return swap agreements may effectively add leverage to the Fund's portfolio because, in addition, to its total net assets, the Fund would be subject to investment exposure on the notional amount of the swap agreement.

***Other Derivative Investments.*** Derivative instruments or "derivatives" include futures, options, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may expose the Fund to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent GOCM from promptly liquidating unfavorable positions and subject the Fund to substantial losses.

The Funds may be limited in their use of certain derivative instruments because the GOCM and GO Capital have each claimed an exemption from registration as a commodity pool operator with the CFTC pursuant to Section 4.13(a)(3) of the Regulations. Unlike a registered commodity pool operator, they

will not be required to deliver a disclosure document and a certified report to investors in the Funds or the master fund. GOCM has claimed an exemption from registration with the CFTC as a commodity trading advisor pursuant to Section 4.14(a)(8) of the Regulations.

***Small and Mid-Cap Issuers.*** A portion of the Fund's assets may be invested in securities of small and mid-cap issuers. While, in GOCM's opinion, the securities of small and mid-cap issuers may offer the potential for greater capital appreciation than investments in securities of large-cap issuers, securities of small and mid-cap issuers may also present greater risks. For example, small and mid-cap issuers often have limited operating histories, product lines, markets, or financial resources and may be dependent for management on one or a few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and, thus, may create a greater chance of loss than investments in securities of larger-cap issuers. The market prices of securities of small and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers. Transaction costs in securities of small and mid-cap issuers may be higher than in those of large-cap issuers.

***Forward Trading.*** Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements, and speculative position limits are not applicable. For example, there are no requirements with respect to record keeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or contracting counterparty to fulfill its contract. As a result, trading in interbank foreign exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which the Fund has forward contracts. Although GOCM seeks to trade with responsible counterparties, failure by a counterparty to fulfill its contractual obligation could expose the Fund to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any currency market traded by the Fund due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which GOCM would otherwise recommend, to the possible detriment of the Fund. Market illiquidity or disruption could result in significant losses to the Fund.

***Investments in Fixed-Income Securities.*** The Fund may invest a portion of its capital in bonds or other fixed income securities, including, without limitation, bonds, notes and debentures issued by corporations, debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, commercial paper, and "higher yielding" (and, therefore, higher risk) debt securities of

the former categories. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. 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). A major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

**Exchange Traded Funds.** The Fund may invest in and sell short shares of exchange traded funds ("ETFs") and other similar instruments. These transactions may be used to adjust the Fund's exposure to the general market or industry sectors and to manage the Fund's risk exposure. ETFs and other similar instruments involve risks generally associated with investments in a broadly based portfolio of common stocks, including the risk that the general level of stock prices, or that the prices of stocks within a particular sector, may increase or decrease, thereby affecting the value of the shares of the ETF or other instruments.

**No Limits on Investment Strategies.** There are no substantive limits on investment strategies that the Fund may pursue. GOCM intends opportunistically to implement strategies or approaches that GOCM believes, in its discretion, are well-suited to prevailing market conditions. Such strategies or approaches may change over time. New strategies, assets, and markets are continually developing and may involve material and as yet unanticipated risks. There can be no assurance that the investment strategies that GOCM expects from time to time to develop and implement for the Fund will be successful, or that strategies that have been successful will continue to be profitable.

**General Economic and Market Conditions.** The success of the Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of securities' prices, the liquidity of the Fund's investments and the availability of certain securities and investments. Volatility or illiquidity could impair the Fund's profitability or result in losses. The Fund may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets—the larger the positions, the greater the potential for loss.

In recent years, global markets experienced unprecedented volatility and illiquidity. The effects thereof are continuing and there can be no assurance that the Fund will not be materially adversely affected. These conditions have led to extensive governmental interventions. Such interventions have in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition—as one would expect given the complexities of the financial markets and the

limited time frame within which governments have felt compelled to take action—these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty. It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on GOCM's strategies.

**Counterparty Risk.** Some of the markets in which the Fund may effect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of “exchange-based” markets are subject. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. The Fund is not restricted from concentrating any or all of its transactions with one counterparty. The ability of the Fund to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund. Counterparty risks also include the failure of executing brokers to honor, execute, or settle trades.

**Transaction Execution and Costs.** As GOCM expects to actively manage the Fund's portfolio, purchases and sales of investments may be frequent and may result in higher transaction costs to the Fund. In addition, in many cases relatively narrow spreads may exist between the prices at which the Fund will purchase and sell particular positions. The successful application of the Fund's investment strategy will therefore depend, in part, upon the quality of execution of transactions, such as the ability of broker-dealers to execute orders on a timely and efficient basis. Although the Fund will seek to utilize brokerage firms that will afford superior execution capability to the Fund, there is no assurance that all of the Fund's transactions will be executed with optimal quality. Furthermore, due to the degree of trading, total commission charges and other transaction costs may be expected to be high. The level of commission charges, as an expense of the Fund, may therefore be expected to be a factor in determining future profitability of the Fund.

**Broker Risk.** The Fund's assets may be held in one or more accounts maintained for the Fund (or the Master Fund) by its prime brokers or at other brokers or custodian banks, which may be located in various jurisdictions, including emerging market jurisdictions. The prime brokers, other brokers (including those acting as sub-custodians) and custodian banks are subject to various laws and regulations in the relevant jurisdictions that are designed to protect their customers in the event of their insolvency. Accordingly, the practical effect of the laws protecting customers in the event of insolvency and their application to the Fund's assets may be subject to substantial variations, limitations and uncertainties. For instance, in certain jurisdictions brokers could have title to the Fund's assets or not segregate customer assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker, another broker or a clearing corporation, it is impossible further to generalize about the effect of the insolvency of any of



them on the Fund and its assets. Investors should assume that the insolvency of any of the prime brokers, local brokers, custodian banks or clearing corporations may result in the loss of all or a substantial portion of the Fund's assets or in a significant delay in the Fund having access to those assets.

**Money Market Instruments.** GOCM may invest, for defensive purposes or otherwise, all or a portion of the Fund's assets in high quality fixed-income securities, money-market instruments, and foreign money-market mutual funds, or hold cash or cash equivalents in such amounts as GOCM deems appropriate under the circumstances. Money market instruments are high quality, short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. government securities, commercial paper, certificates of deposit and bankers' acceptances issued by domestic branches of United States banks that are members of the Federal Deposit Insurance Corporation, and repurchase agreements. However, there can be no assurances that such investments will not be subject to significant risks.

**Loans of Portfolio Securities.** The Fund may lend its portfolio securities on terms customary in the securities industry, enter into reverse repurchase agreements or enter into other transactions constituting a loan of the Fund's assets. By doing so, the Fund attempts to increase its income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Fund could experience delays in recovering the securities it lent. To the extent that the value of the securities the Fund lent has increased, the Fund could experience a loss if such securities are not recovered.

**Investment in Technology and Systems.** GOCM has committed significant resources to the development of its technology platform. However there can be no assurance that GOCM's information systems and technology will continue to be able to accommodate its growth, or that the cost of maintaining such systems will not increase from its current level. Such a failure to accommodate growth or such an increase in costs could have a materially adverse effect on the Fund. Furthermore, a disaster or disruption in the infrastructure that supports GOCM's business, including a disruption involving electronic communications or other services used by it or third parties with which it conducts business, or directly affecting its headquarters, may have a materially adverse effect on its ability to continue to operate its business without interruption. Although GOCM intends to have back-up facilities for its information systems as well as technology and business continuity programs in place, there can be no assurance that these will be sufficient to mitigate the harm that may result from such a disaster or infrastructure disruption. In addition, insurance or other safeguards might only partially reimburse the Fund for resulting losses.

**Market Volatility.** Certain of the investment strategies which will be employed by the Fund rely for their profitability on market volatility contributing to mispricing of financial instruments in which the Fund invests. GOCM believes that markets will continue to experience periods of volatility; however, since price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions, there can be no assurance that excessive volatility will continue to occur or that GOCM will be able to predict accurately

such periods of volatility. A lack of volatility could result in losses for certain of the Fund's strategies that are effectively "long" volatility.

**Unforeseen Events.** The Fund may be adversely affected by unforeseen events involving such matters as changes in interest rates or the credit status of an issuer, forced withdrawals of securities or acquisition proposals, break-up of planned mergers, unexpected changes in relative value, short squeezes, inability to short stock or changes in tax treatment.

**Systemic Risk.** World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in the Fund losing substantial value caused predominantly by liquidity and counterparty issues which could result in the Fund incurring substantial losses.

This is a brief summary of certain risks associated with our investment strategy. It is not exhaustive, but rather intended to highlight some of the more significant risks involved in our investment strategy. All investors of GOCM Funds receive an offering memorandum prior to investing. These offering memoranda contain a more detailed discussion of the risks which should be considered before making an investment in one of the GOCM Funds. An investment in a GOCM Fund should only be made after review of the applicable offering memorandum, and in particular the risk factors described in those materials.

#### **ITEM 9: DISCIPLINARY INFORMATION**

We do not believe there have been any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or to the integrity of our management.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATES**

We have material relationship with the following affiliated entity:

- Green Owl Capital, LLC, an affiliate of GOCM, serves as the general partner of GOCM Fund, L.P. and GOCM Master Fund, L.P. Ross Berman is the sole member of this entity.

While GO Capital is controlled by the same individuals that control our firm, we do not believe that this relationship with this entity causes a conflict of interest with the GOCM Funds.

GOCM and GO Capital have claimed an exemption from registration as a commodity pool operator, pursuant to Rule 4.13(A)(3), and an exemption from registration as a commodity trading advisor, pursuant to Rule 4.14(A)(8), each under the Commodity Exchange Act.

GOCM and its partners and employees (the “Staff Members”) are not registered, and do not have any application pending to register, with the SEC as a broker-dealer or a registered representative of a broker-dealer.

#### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics which recognizes our fiduciary duty to act in the best interests of the GOCM Funds and is applicable to all Staff Members. We adopted the Code of Ethics to: (1) avoid the inappropriate use of material, nonpublic information, and to implement procedures when this type of information is acquired inadvertently; (2) prevent any improper personal trading; and (3) identify actual and potential conflicts of interest, and set out processes to address any actual or potential conflicts of interest. The Code of Ethics may also be applied to any other person designated by the Chief Compliance Officer.

Our Code of Ethics generally requires our employees to pre-clear any transaction with our Chief Compliance Officer in their personal accounts, subject to certain limited exceptions for securities such as money market and open-end funds (i.e., ETF, mutual funds). We will not allow an employee to trade any securities of issuers that are currently in our portfolio. In order to ensure our employees are focused on their obligation to the GOCM Funds, an employee cannot trade the issue until 30 days after we exit the entire position.

We have adopted procedures, in accordance with internal and SEC requirements, to monitor adherence to our personal trading policy. These procedures include:

- We distribute our Code of Ethics to all employees prior to hiring;
- We provide training to all employees at the time of hiring and periodically, thereafter;
- We require all new employees to submit an initial holdings report, and to provide annual updates thereafter;
- We require all employees to submit quarterly transaction reports;
- We require all employees to provide duplicate copies of their brokerage statements or, if such statements are not available, transactions reports; and
- We require initial and annual certifications from all employees regarding compliance with the Code of Ethics.

We may purchase or sell for the accounts of the GOCM Fund securities in which we, our employees or affiliates have a position. If we, our affiliate or employee buy or sell these securities for personal accounts, a conflict of interest may arise if we, our affiliates or our employees receive more favorable execution prices than do the GOCM Funds because our firm’s, our affiliates’ or our employees’ trades might have driven up the market prices of the target securities. As we describe above and further in our

Code of Ethics, these trades need to be pre-cleared with our Chief Compliance Officer who will only grant permission for the trade after determining that a conflict of interest does not exist.

All clients and prospective clients may obtain a copy of our Code of Ethics by writing to our Chief Compliance Officer at Green Owl Capital Management, LLC, 733 Third Avenue, 24<sup>th</sup> Floor, New York, New York, 10017.

## **ITEM 12: BROKERAGE PRACTICES**

The GOCM Funds' securities transactions generate a substantial amount of brokerage commissions and other transaction based cost, all of which are paid directly by the GOCM Funds. We have complete discretion over the choice of brokers and dealers the GOCM Funds use and the commission rates paid. In selecting brokers, we may or may not negotiate "execution only" commission rates. We do not have an obligation to seek the lowest available commission cost when selecting brokers; provided that any and all brokerage allocations for the GOCM Funds will be subject to the principles of best execution and other allocation policies described in the Governing Documents, as well as any restrictions imposed by law.

In selecting broker-dealers for client transactions, we take into account the following factors:

- commission rates;
- quality of execution;
- investment research and analytic services provided;
- expertise in particular markets;
- reputations, experience and financial stability;
- quality of service, including familiarity both with investment practices generally and the techniques employed by the GOCM Funds;
- clearing and settlement capabilities;
- availability of margin or other leverage; and
- ability to execute difficult transactions.

GOCM may pay broker commissions that are higher than another broker might have charged for the same transaction, in recognition of GOCM's assessment of the value of the various value added services listed above. However, when higher commission costs are incurred, GOCM believes that the higher commission cost borne by the client accounts are reasonable in relation to the overall service provided. The client account that bears the cost of such a commission for a particular trade may not be the sole beneficiary of such value added services.

Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor: to investment managers who use commission dollars of their advisory accounts to obtain investment research, brokerage and other services that provide lawful and appropriate assistance to the manager in making investment

decisions, provided, the amount of the increased commission cost is reasonable value to the services provided. Currently, GOCM does not utilize “soft dollar” account to pay for investment research or services, nor do we intend to use “soft dollar” accounts, rather, the Funds pay all investment research expenses and services using “hard dollars.” In other words, the expenses are paid directly out by the Funds.

GOCM may receive introductions to investors through broker-dealers that execute trades on behalf of GOCM. GOCM does not believe that it pays any additional fees or higher commissions as a result of these introductions. GOCM seeks best execution on all transactions. However, GOCM may have an incentive to select or use a broker-dealer based on receiving investor referrals from that counterparty.

Currently, trades are executed at, and expenses are borne by, the master fund. Trade positions and expenses are then allocated pro-rata to each Fund based on the gross asset value of each Fund at the beginning of each month. Allocation of the securities purchased or sold, as well as expenses incurred in the transaction, will be made among the Funds pursuant to our allocation policy or as we deem appropriate. Moreover, no one Fund is necessarily entitled to investment priority over another Fund and each Fund may not participate in every investment opportunity.

Potential conflicts of interest with respect to the allocation of investment opportunities are addressed by our allocation policy.

Although GOCM exercises due care in making and implementing investment decisions, employees of GOCM may from time to time make errors with respect to trades made on behalf of the Funds. GOCM will not be liable to the Funds or the investors in such Funds for any trading losses, liabilities, damages, expenses or costs resulting from trade errors by the Fund except those losses, liabilities, damages, expenses or costs (i) resulting from GOCM’s fraud, willful misconduct or gross negligence and (ii) that may not be waived or limited under applicable law. Notwithstanding this limitation on liability, GOCM may voluntarily reimburse the Funds for certain other losses suffered as a result of trade errors identified by GOCM.

#### **ITEM 13: REVIEW OF ACCOUNTS**

Our portfolio manager, Ross Berman, maintains constant oversight of the GOCM Funds’ portfolios, reviewing them on a daily basis. Mr. Berman generally meets in person or via conference call on a daily basis with our trader and investment team prior to the markets opening to discuss the portfolio. These meetings are intended to review the portfolio risk, current portfolio positions, possible opportunities, and to discuss recent or upcoming events.

In addition, Mr. Berman leads research meetings with the investment professionals on both a regular and ad-hoc basis.

We furnish our investors with a monthly update. In addition, quarterly letters and audited financial statements are furnished to our investors when available. Furthermore, we provide investors with necessary tax documents along with other documents as required by law.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Our firm does not, nor do any principals or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our clients.

GOCM makes cash payments to a third party solicitor for referrals. When applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.

#### **ITEM 15: CUSTODY**

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

In keeping with our fiduciary duties and regulatory requirements, we comply with Advisers Act Rule 206(4)-2, which requires an investment adviser with custody of client assets to comply with the following requirements:

- maintain fund assets with a "qualified custodian" in a separate account for each fund under that fund's name;
- have the assets audited at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board; and
- distribute audited financial statements prepared in accordance with generally accepted accounting principles to all limited partners, members or other beneficial owners of the Funds within 120 days of the end of each fiscal year.

#### **ITEM 16: INVESTMENT DISCRETION**

GOCM provides investment advisory services on a discretionary basis to clients.

Prior to assuming full discretion in managing a client's assets, GOCM enters into an investment management agreement or other agreement that sets forth the scope of its discretion. Before accepting the investor's subscriptions for interests or shares, we provide all potential investors in the GOCM Funds with an offering memorandum that sets forth, in detail, our investment strategy. By completing our subscription documents to acquire interests or shares in one of our Funds, investors give

us complete authority to manage their investments in accordance with the offering memorandum they received.

GOCM has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased and sold for the client account.

#### **ITEM 17: VOTING CLIENT SECURITIES**

To the extent GOCM has been delegated proxy voting authority on behalf of its clients, GOCM complies with its Proxy Voting Policies and Procedures (the “Procedures”) that are designed to ensure that GOCM votes proxies with respect to client securities in the best interests of its clients. GOCM maintains copies of all proxy statements received, records of the votes cast, records of requests for proxy voting information, a concise summary of GOCM’s Procedures and any other document prepared or obtained that was material to GOCM making a decision on how to vote.

Because GOCM provides investment advice to commingled investment entities, individual investors in the Funds will not be able to direct GOCM on how to cast a proxy vote.

A copy of the Proxy Voting Procedures is available upon request by mail by contacting the Chief Compliance Officer at 733 Third Avenue, 24<sup>th</sup> Floor, New York, NY 10017.

#### **ITEM 18: FINANCIAL INFORMATION**

We are not aware of any financial conditions that are likely to impair our ability to meet our contractual commitments to the GOCM Funds.