

FORM ADV PART 2A: Firm Brochure

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This brochure (the “Brochure”) provides information about the qualifications and business practices of Magnolia Road Capital LP (“Magnolia Road”). If you have any questions about the contents of this Brochure, please contact Ran Shaham, Magnolia Road’s Chief Compliance Officer (“CCO”), at (646) 277-8663. 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 authority.

Registration of an investment adviser does not imply that Magnolia Road or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

Additional information about Magnolia Road also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

Because this is our first brochure prepared using the SEC's revised Form ADV Part 2A, we have no material changes in prior filings to report. Unless otherwise noted, all information in this brochure is given as of the date set forth on the cover page. In the future we will use this item to report any material changes.

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Item 4: Advisory Business

Magnolia Road Capital LP (“**Magnolia Road**”, the “**Adviser**”, the “**Firm**”, “**we**”, “**us**”, or “**our**”) is an investment adviser which was formed in February 2013. Jame Donath is the Managing Partner of the Firm. Magnolia Road is a limited partnership organized under the laws of the State of Delaware.

The Firm is currently an investment adviser on a discretionary basis to privately pooled investment vehicles via a master-feeder arrangement. Magnolia Road Global Credit Fund LP (the “**Domestic Fund**”), Magnolia Road Global Credit Fund Ltd (the “**Offshore Fund**”) and Magnolia Road Global Credit Intermediate Fund L.P. (the “**Intermediate Fund**” and, together with the Domestic Fund and Offshore Fund, each a “**Feeder Fund**”) invest, directly or indirectly, into Magnolia Road Global Credit Master Fund L.P. (the “**Master Fund**”). Collectively, the Master Fund and the Feeder Funds are herein referred to as the “**Client**”, “**Client Accounts**”, the “**Fund**”, or the “**Funds**.”

Magnolia Road provides advice to the Funds based on their specific investment objectives and strategies. Magnolia Road does not tailor advisory services to the individual needs of investors in the Funds.

As of April 1, 2014, Magnolia Road managed approximately US \$159,025,000 in regulatory assets under management (“**RAUM**”), all of which are managed on a discretionary basis.

Item 5: Fees and Compensation

Our current fee schedule for the Funds is generally as follows:

Management fees payable by the Funds are generally in the range of 1%-2% per annum of the net asset value of the relevant shares/interests. The management fee rate varies depending on the class of shares/interests owned by investors. The Management fee may be waived, reduced or calculated differently with respect to certain investors including employees and affiliates of the Adviser.

An incentive allocation generally in the range of 10%-20% of net capital appreciation is allocable to an affiliate of the Adviser and the Master Fund’s seed investors, in the aggregate, on an annual basis and also determined at the time of an investor’s withdrawal/redemption. Such incentive allocation is subject to a traditional high water mark. With respect to those investors in the Funds that have opted to participate in side pocket investments of the Funds, an incentive allocation with respect to those side pocket investments will only be made on realized appreciation. The incentive allocation may be waived, reduced or calculated differently with respect to certain investors including employees and affiliates of the Adviser.

Expenses

Magnolia Road is responsible for and will pay all overhead expenses of an ordinary and recurring nature in connection with its services to the Funds such as office space and utilities, administrative services, and secretarial, clerical and other personnel to the Funds.

We will bear the costs of providing such goods and services, except to the extent such goods, services, costs and expenses are (i) provided for through soft dollars generated by

the Fund, (ii) provided under arrangements with the Seed Investors or (iii) are Fund expenses as provided below.

Each Fund will bear its own organizational and operating expenses, including, without limitation, the management fee; transaction-related expenses (which include all transaction-based expenses incurred in executing investments including brokerage commissions, expenses relating to short sales, clearing and settlement charges, expenses associated with consummating bank debt trades, dealer spreads, custodial fees, bank service fees, interest expenses and legal expenses associated with the consummation of a transaction); investment-related travel expenses (which are travel expenses related to the purchase, sale or transmittal of, or due diligence regarding, the Fund's investments, whether or not such investments are consummated, incurred by the Adviser or its affiliate); professional fees (including, without limitation, expenses of consultants, investment bankers, attorneys, accountants and other experts) relating to investments; fees and expenses of such Fund's governance committee, if any; fees and expenses relating to software tools, programs or other technology utilized in managing such Fund (including, without limitation, third-party software licensing, implementation, data management and recovery services and custom development costs but excluding, for the avoidance of doubt, all costs and expenses of any order management systems utilized by the Adviser to manage such Fund); research and market data (including, without limitation, any computer hardware and connectivity hardware (e.g., telephone and fiber optic lines) incorporated into the cost of obtaining such research and market data); administrative expenses (including fees and expenses of such Fund's administrator); legal expenses; external accounting and valuation expenses (including, without limitation, the cost of accounting software packages); audit and tax preparation expenses; costs related to errors and omissions insurance for the Adviser and its affiliates; costs of printing and mailing reports and notices; directors' fees and expenses, if any; entity-level taxes; corporate licensing; regulatory expenses of such Fund and the Adviser (including, without limitation, legal fees and filing fees); organizational expenses; expenses incurred in connection with the offering and sale of the interests/shares (including travel expenses) and other similar expenses related to such Fund (other than any fees payable to any placement agent, which will be paid by the Adviser either directly or indirectly by reducing the management fees owed to the Adviser); indemnification expenses; and extraordinary expenses. Generally, Fund expenses, other than the Management Fee and any expenses which the Adviser or its affiliates determines in its sole discretion should be allocated to a particular investor or investors and expenses relating specifically to a special investment, will be charged to all investors on a pro rata basis. Certain of the Fund's expenses are subject to expense caps as further detailed in the Confidential Private Placement Memorandum for the applicable Fund. The organizational and initial offering expenses of the Funds will either be expensed as incurred or, where permitted by applicable rules, amortized over a period not to exceed 60 months beginning at the commencement of the Master Fund's operations. Expenses that are paid or payable by the Master Fund generally are borne pro rata by the Feeder Funds. For further details on the Firm's brokerage practices refer to Item 12 of this Brochure.

Fees and expenses for other future Clients will be disclosed in the appropriate governing documents.

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

As described in Item 5, we have entered into incentive allocation arrangements with the investors in the Funds.

The incentive allocation arrangement may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be

recommended under a different compensation arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

No other hourly, flat or asset-based fees are charged to the Funds.

Item 7: Types of Clients

The Firm's clients are the Funds. To invest in the Funds, we generally require a minimum investment of \$3,000,000 to \$5,000,000 depending on the particular series of the Fund although we reserve the discretion to accept less. We may in the future advise additional privately pooled investment vehicles or separately managed account clients.

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

Investment Strategy

Our investment objective is to provide investors with attractive risk-adjusted returns generated by event-driven investments in the debt of corporate borrowers globally. The core strategy of the Funds is to identify long and short investment opportunities in the bank debt and bonds of corporate borrowers using a fundamental approach to credit analysis. We seek to capitalize on market opportunities on behalf of the Fund by employing a research-driven investment model that is supported by a proprietary network of global advisory relationships. Our strategy is intended to emphasize liquidity, capital preservation, and consistency of investment performance.

The Funds will seek to invest capital in all manner of event-driven credit situations. The Funds expect to take a global approach to the event-driven debt market, and plans to invest in credit situations across a range of geographies. We expect to deploy a significant amount of the Fund's assets in opportunities outside of the domestic U.S. market. These non-U.S. investments will be primarily focused on Western Europe, including the United Kingdom, Ireland, Germany, France, the Netherlands, and the Scandinavian region. The Funds will also target selected countries within the Asia Pacific region, including Australia, New Zealand, Japan, Hong Kong, and Singapore. The Funds may also invest in Canada. The Funds intend to limit their investments primarily to countries that have a relatively transparent legal insolvency regime and have a history of protecting the rights of creditors. The Funds will tend to avoid countries that do not support highly transparent insolvency regimes, including Russia, China, Indonesia, the Middle East, and most of Africa.

We will take a disciplined approach to investment research, analyzing companies on a bottom-up, standalone basis. This rigorous research process will focus both on the business in question, as well as the situational dynamics of any corporate restructuring. The research process will rely heavily on consultation on our broad network of restructuring relationships around the world. We will exercise investment authority over the Funds' portfolios. The Funds will invest primarily in bank debt and bonds higher up in the capital structure. The Funds may at times also invest in equities, preferred shares, trade claims, liquidation certificates, warrants and other instruments.

While the Funds invest primarily in accordance with the methodology discussed above, we maintain broad and flexible investment authority.

Risk of Loss Factors

Investing in securities involves risk of loss that investors should be prepared to bear. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Please review each Fund's Confidential Private Placement Memorandum for a more detailed description of the risks of loss before deciding to invest in a Fund.

Dependence on Certain Personnel

The success of the Funds is dependent upon the talents and efforts of highly skilled individuals employed by Magnolia Road and our ability to identify and willingness to provide acceptable compensation to attract, retain and motivate talented investment professionals and other employees. There can be no assurance that our investment professionals will continue to be associated with Magnolia Road throughout the life of the Funds. The loss of the services of our key personnel could have a material adverse effect on the Funds.

Concentrated Investment Strategy

The Funds will not be broadly diversified, but rather will focus on event-driven investments in financially distressed companies around the world. The undiversified nature of the Funds' trading may be expected to result in increased performance volatility and risk.

Debt Instruments

The debt instruments in which the Funds will invest may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. The Funds will invest in non-investment grade debt securities, which are typically subject to greater market fluctuations and risks of loss of income and principal than lower yielding, investment grade securities and are often influenced by many of the same unpredictable factors which affect equity prices. In addition to the sensitivity of debt securities to overall interest-rate movements, debt securities involve a fundamental credit risk based on the issuer's ability to make principal and interest payments on the debt it issues. The Funds' investments in debt instruments may experience substantial losses due to adverse changes in interest rates and the market's perception of any particular issuer's creditworthiness, which may inhibit such issuer's ability to refinance, restructure or otherwise experience recovery. The Funds also will invest in certain hybrid debt arrangements, which are subject to risks in addition to the conventional risks of general interest rate movements and the issuer's ability to pay the debt in accordance with its terms.

High-Yield and Distressed Securities

The Funds expect to trade high-yield and distressed credit instruments. These instruments are subject to substantial risk of default, bankruptcy, moratorium, etc., as they are by definition issued by or referenced to issuers in precarious and often declining financial condition.

Valuing high-yield and distressed credit instruments is an inherently uncertain process due to the lack of available market prices and the uncertain financial condition of the issuers (and the lack of reliable information concerning such issuers' financial condition).

The mispricings on which the Funds will attempt to capitalize in their investing reflect both the risk and the uncertainty of high-yield and distressed investments. The long-term and

illiquid nature of many of these investments increases their risk, as the Funds will generally be unable to exit these investments in order either to recognize profits or limit losses. High-yield and distressed securities exhibit high mark-to-market volatility, require extensive due diligence and medium- to long-term holding periods, are generally illiquid and demand constant monitoring and carefully engineered exit strategies.

General Risks Associated with Credit Strategies

The Funds will invest in credit instruments issued by distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Evaluating reorganizations and bankruptcies can be a complex, time consuming and expensive process that requires specialized expertise. Although such investments have the potential to achieve significant returns, they involve a high degree of risk, and may fail to show any return for a considerable period of time or result in substantial or complete loss. There is no assurance that we will accurately evaluate the prospects for a profitable return on the Funds' investments. While exit from distressed trading strategies may come through recovery and/or appreciation and subsequent sale in financial markets, other means of exit take alternate and sometimes suboptimal forms, including, but not limited to: (i) a refinancing, sometimes providing for redemption of positions held by the Funds; (ii) reset terms and conditions, including but not limited to a longer tenure and/or a diminished coupon; (iii) conversion of debt instruments to further subordinated debt, hybrid, or equity securities; (iv) sale of the entire company to a strategic or financial buyer; (v) government nationalization; (vi) liquidation of assets or creation of liquidation trusts for assets; and (vii) cash settlement of claims from others involved in restructuring.

Certain of these exit strategies may go beyond the expected tenure of the trading strategy and adversely impact liquidity, volatility and pricing. Many of the events within a bankruptcy case are adversarial and often beyond the control of creditors. There can be no assurances that the Funds will be able to adequately exercise and/or enforce its full rights under the stated terms of its investments, or that any actions taken by the Funds will be either beneficial or not harmful to final recovery value. In some situations, the market of available dealers for distressed positions may constrict and could impact the willingness to purchase or repurchase at an expected or modeled fair market value. Consequently, the Funds may sometimes exit positions at times or under conditions different than initially anticipated and accept substantial losses.

Inadequate Bankruptcy and Insolvency Laws

The Funds will focus on event-driven investments in financially distressed companies around the world, and the issuers in which the Funds invests may from time to time be subject to local bankruptcy and insolvency laws. Moreover, even if issuers do not actually become bankrupt or insolvent, the possible effect of such laws on such issuers will directly impact the value of their securities.

Interest Rate Risk

The Funds are subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. The risk will be greater for long-term securities than for short term securities. We may attempt to minimize the exposure of the portfolio to interest rate changes through the use of interest rate swaps, interest rate futures, interest rate options and/or other financial instruments. However, there can be no guarantee that we will be successful in fully mitigating the impact of interest rate changes on

the Funds' portfolios. To the extent that interest rate assumptions underlie the thesis of a particular position, fluctuations in interest rates could invalidate those underlying assumptions.

Default Risk

It is generally anticipated that conventional debt will be paid as due, barring unexpected developments. Nonetheless, there exists the risk of default. We will attempt to reduce default risk through diversification and research (both on a country-by-country and issuer-by-issuer basis).

We recognize that economic disruptions in a country in which the Funds are invested may lead to a material, if not complete, loss on the Funds' investment in that economy. We will diversify country risk by investing in a number of different countries and will attempt to position the Funds' portfolio so as to reduce the risk of "domino effect" defaults across related economies. However, we have no means of predicting where political or economic unrest will develop. The Funds may suffer from major defaults in the countries in which it is invested, while at the same time other sectors in general might be profitable for other investors.

Equities

The Funds may invest its capital in long and short positions in equities, deferred interest obligations and other investments which do not produce current income for the Funds. Equity prices are directly affected by issuer-specific events, as well as general market conditions. In addition, in many countries investing in equity is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments.

Trade and Other General Unsecured Claims

The Funds may acquire interests in claims of trade creditors and other general unsecured claim holders of a debtor ("**Trade Claims**"). Trade Claims generally include, but are not limited to, claims of suppliers for goods delivered and for which payment has not been made, claims for unpaid services rendered, claims for contract rejection and claims related to litigation. Trade claims are typically unsecured and may, in unusual circumstances, be subordinated to other unsecured obligations of the debtor. The repayment of Trade Claims is subject to significant uncertainties, including potential set-off by the debtor, characterization of "preferences" in bankruptcy as well as the other uncertainties described herein with respect to other distressed debt obligations.

Non-U.S. Investments

Investing in the securities outside of the United States involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Funds' investment opportunities. In addition, accounting and financial reporting standards that prevail outside

of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Funds may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Funds' rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Funds under such laws and regulations are unavailable for transactions on foreign exchanges and with foreign counterparties.

Short Selling

A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Funds may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Funds secure a "good borrow" of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Funds to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Funds.

Hedging Transactions

The Funds may utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds' investment portfolios resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Funds' unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the Funds' portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Funds' securities; (vii) protect against any increase in the price of any securities the Fund anticipates purchasing at a later date; or (viii) act for any other reason that we deem appropriate. The Funds will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. We may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

Derivative Instruments Generally

Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives is subject to change. In addition, the Funds may, in the future, take advantage of opportunities. Special risks may apply in the future that cannot be determined at this time with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. The regulatory and tax environment for derivative instruments in which the Funds may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on the Funds.

Call Options. The seller (writer) of a call option which is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options. The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Index or Index Options. The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether the Fund will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

Index Futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, shareholders may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures

market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Funds also is subject to our ability to correctly predict movements in the direction of the market.

Swaps. Whether the Funds' use of swap agreements or swaptions will be successful will depend on our ability to select appropriate transactions for the Funds. Swap agreements and options on swap agreements ("**swaptions**") can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease the holder's exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Funds' portfolios. Moreover, the Funds 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. The Funds will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Funds to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Funds' ability to terminate swap transactions or to realize amounts to be received under such transactions.

Futures Contracts. The value of futures contracts depends upon the price of the securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Funds' positions trade or of its clearing houses or counterparties. 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 particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the U.S. Commodity Futures Trading Commission could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Forward Contracts. Banking authorities generally do not regulate trading in forward contracts. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted 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. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which we would otherwise recommend, to the possible detriment of the Funds. In their forward trading, the Funds will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Funds trade. Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. We may order trades for the Funds in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Funds to the risk of loss.

Contracts for Differences. Contracts for differences (“**CFDs**”) are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument’s value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. A CFD is usually terminated at the buyer’s initiative. As is the case with owning any financial instrument, there is the risk of loss associated with buying a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the buyer to post additional margin. CFDs also carry counterparty risk, i.e., the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require the buyer to make additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on the Funds’ obligation to their counterparty under the CFDs and the return on related assets in their portfolio, the CFD transaction may increase the Funds’ financial risk.

Credit Default Swaps. The Funds may purchase and sell credit derivative contracts – primarily credit default swaps – both for hedging and other purposes. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that they buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Funds may also sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of credit default swaps, the Funds will be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” While the credit default swap market auction protocols reduce this risk, it is still possible that an auction will not be organized or will be unsuccessful. In certain instances of

issuer defaults or restructurings (for those credit default swaps for which restructuring is specified as a credit event), it has been unclear under the standard industry documentation for credit default swaps whether or not a “credit event” triggering the seller’s payment obligation has occurred. The creation of the new ISDA Credit Derivative Determination Committee (the “**Determination Committee**”) is intended to reduce this uncertainty and create uniformity across the market, although it is possible that the Determinations Committee will not be able to reach a resolution or do so on a timely basis. In either of these cases, the Funds would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Funds will incur leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Funds will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity’s debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity’s debt obligations to deliver to the Funds following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Funds.

Credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value such swap positions when established or when subsequently traded or unwound under actual market conditions.

It appears that there are likely to be widespread defaults under certain credit default swaps as a result of the current credit market disruptions. The credit derivative market may become subject to increased regulation, which could increase costs or even prevent participation by the Funds.

Item 9: Disciplinary Information

Neither we nor any of our management personnel are subject to or have in the past been subject to any criminal or civil action in any domestic or foreign court, and neither we nor any of our management personnel have been subject to any administrative proceedings before the SEC or any other state, federal or foreign financial regulatory authority.

Item 10: Other Financial Industry Activities and Affiliations

Neither Magnolia Road nor any of our employees have any relationships or arrangements that pose material conflicts of interest to the business of Magnolia Road.

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

Code of Ethics & Personal Trading

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics and Employee Investment Policy that establish various procedures with respect to investment transactions in accounts in which employees of Magnolia Road or related persons have a beneficial interest or accounts over which an employee has investment discretion.

The foundation of the Code of Ethics is based on the underlying principles that:

- Employees must at all times place the interests of the Clients first;
- Employees must make sure that all personal securities transactions are conducted consistent with the Employee Investment Policy; and
- Employees should not take inappropriate advantage of their position at Magnolia Road.

In general, employees are not permitted to trade securities in their personal accounts. In addition, employees may not acquire securities for their own account in an initial public offering. Employees must also obtain pre-approval from the CCO before engaging in any outside business activities or private placements.

Our Code of Ethics and Employee Investment Policy are available to clients upon request.

Item 12: Brokerage Practices

As an adviser and a fiduciary to our Clients, our Clients' interests must always be placed first and foremost, and our trading practices and procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the Client Account's favor. We have adopted the following policies and practices to meet our fiduciary responsibilities and to insure our trading practices are fair to all Client Accounts and that no Client Account is advantaged or disadvantaged over any other.

Best Execution

As a fiduciary, we have an obligation, among other things, to seek best execution of the Clients' transactions. Best execution is determined on a trade-by-trade basis, and should result in best qualitative execution, not necessarily the lowest possible commission cost. When selecting a counter-party, we consider relevant factors that we deem reasonable under the circumstances. Some of the factors include, but are not limited to, the ability of the brokers and dealers to effect the transaction; the brokers' or dealers' facilities, reliability and financial responsibility; and the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment and commitment of capital and research. In certain circumstances, however, we will not be able to select a counter-party due to a limited universe of dealers that are in a position or offer investments we are currently interested in. In some cases the offering dealer is the only execution for such transaction and therefore is the best execution for that trade.

Aggregation of Orders

Currently, all trades are executed in the Master Fund so we do not have allocation between multiple clients accounts. In the event we advise and trade in additional Client Accounts, it is our intention that we will aggregate trade orders for the Client Account in order to achieve more efficient execution or to provide for equitable treatment among the Client Accounts. The Client Accounts participating in aggregated trades generally will be allocated securities based on a pro-rata basis at the price achieved for those trades.

Trade Allocation

Any investment decisions that affect more than one account may require us to acquire or dispose of the same security for more than one Client Account at the same time. Our policy is to equitably allocate, buy and sell executions among Clients when feasible and appropriate over time.

Trade allocations shall generally be determined on pro-rata basis according to the amount of assets in each Client Account subject to any modification and provided that the trade is appropriate and permitted for each account that will participate in that transaction. Allocations methods may be modified when strict adherence to the usual allocation is impractical or leads to inefficient or undesirable results.

Trade Errors

On occasion we may experience errors with respect to trades made on behalf of the Client Accounts. Trade errors can result from a variety of situations, including for example, when the wrong security is purchased or sold, when the correct security is purchased or sold but for the wrong account, when the wrong amount is purchased or sold or when a misallocation among the Funds occurs. We endeavor to detect trade errors prior to settlement and correct them in an expeditious manner.

The SEC has stated a general view that an adviser has a fiduciary duty to place trades accurately. Accordingly, we generally will reimburse losses suffered by a Client as a result of a trade error caused by the Firm as a result of gross negligence, willful misconduct or fraud. In addition, we will not correct a trade error made for one Client by causing the other Client to buy or sell the securities. We also will not directly or indirectly use soft dollars to correct trade errors.

Soft Dollar Policy

We may use “soft dollars” generated by our clients’ trading activities to purchase research services or products that would otherwise have been an expense of the Firm. We intend to keep any such arrangements within the parameters of Section 28(e) of the United States Securities Exchange Act of 1934, as amended.

Item 13: Review of Accounts

Review of Accounts

The Portfolio Manager and the CFO review and reconcile Fund portfolios on a daily basis to assure conformity with investment objectives and guidelines.

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

We have also engaged an independent administrator to prepare monthly unaudited reports reviewing each Fund’s performance for the month. The Domestic Fund and Offshore Fund issue financial statements, which are audited by a well-known CPA firm and are distributed to investors in such funds on an annual basis.

Reporting

As soon as practicable after the end of each year, we will distribute an audited financial report for the Domestic Fund and Offshore Fund with respect to the previous fiscal year to all investors within 120 days of year-end. Reporting with respect to other Clients will be in accordance with the appropriate governing documents.

Item 14: Client Referrals and Other Compensation

Although we do not currently utilize third parties for capital raising purposes, it is possible that in the future we may pay third parties a fee or compensation for the referral of an investor or a client to us. Any marketing fee or commission in connection with any investor referral activities, including ongoing payments, will be paid solely by Magnolia Road and not by the Funds or the referred investor. Any solicitor, underwriter, brokers, dealers or finders engaged by Magnolia Road to assist in the offering of interests in the Funds will be registered as a broker-dealer.

Item 15: Custody

While it is Magnolia Road's practice not to accept or maintain physical possession of any of our Funds' assets (and our Funds' assets are in the custody of one or more prime brokers and or banks), we are deemed to have custody of their assets under Rule 206(4)-2 of the Advisers Act because we have the authority to access Funds and deduct fees and expenses from Funds' accounts.

In order to comply with Rule 206(4)-2, we utilize the services of a bank or qualified custodian (as defined under Rule 206(4)-2) to hold all assets of our Funds, except those assets that are not capable of being held by a custodian. We also confirm that the qualified custodian maintains these assets in accounts bearing each Fund's name that contain only assets of such Fund.

While Rule 206(4)-2 generally requires an investment adviser to provide for a qualified custodian to send account statements to all of its Clients whose assets the custodian holds at least quarterly, we are not subject to such requirement because our Funds are subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

Item 16: Investment Discretion

As previously noted, we have full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and the commissions paid. Individual investors in the Funds do not have the ability to impose limitations on Magnolia Road's discretionary authority. Prospective investors are provided with a Confidential Private Placement Memorandum of the Domestic Fund and/or Offshore Fund prior to their investment and are encouraged to carefully review the applicable Confidential Private Placement Memorandum, and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective investors must also execute a subscription agreement and, with respect to an investment in the Domestic Fund, a limited partnership agreement, which constitutes a legal,

valid and binding obligation of the investor, enforceable in accordance with their respective terms.

Item 17: Voting Client Securities

We have general authority to vote proxies for the Funds. We adhere to our proxy voting policies and procedures that are designed to ensure that, such proxies are voted in the best interest of the Fund on a case-by-case basis. The investors in the Funds may not directly vote proxies.

Upon request, we will provide clients with a copy of our proxy voting policies and procedures.

Item 18: Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. Magnolia Road has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.