

**ANDALUSIAN CAPITAL PARTNERS, LP**  
**Part 2A of Form ADV: Firm Brochure**

**Item 1. Cover Page**

**Andalusian** Capital Partners, LP

**Andalusian Capital Partners, LP**

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**Andalusian Capital Partners, LP is an investment advisor 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.**

**This brochure provides information about the qualifications and business practices of Andalusian Capital Partners, LP. If you have any questions about the contents of this brochure, please contact us at 203.987.5677. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Andalusian Capital Partners, LP is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2.       Material Changes**

The ADV Part 2A was last updated on April 29, 2014. There are no other material changes to report. We recommend that you read this Part 2A of Form ADV in its entirety.

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#### **Item 4.        Advisory Business**

Andalusian Capital Partners, LP (herein referred to as “**we**” or “**our firm**”), founded in May 2009, is an investment services firm specializing in investment management for pooled investment vehicles and we intend, in the future, to advise managed accounts. The principal owners of our firm are Michael Reeber and Harrison M. Wreschner.

The investment objective of our clients is to generate high, risk-adjusted absolute returns, uncorrelated to traditional fixed income and equity portfolios, by investing in or shorting the securities, loans and other obligations of primarily U.S. companies over long periods. We utilize deep fundamental analysis across all classes of a company’s capital structure to achieve our clients’ investment objectives. We believe the prior experience of our principals investing across multiple asset classes, and in securities and liabilities at different levels of seniority throughout the capital structure of companies, will help our clients achieve their investment objectives.

For more information on the investment strategy of our clients, please see Item 8: Method of Analysis, Investment Strategy and Risk of Loss.

Our firm tailors our advisory services in accordance with each client’s needs and investment strategy as disclosed in its offering document or managed account agreement.

We have full discretion in trading on behalf of our clients. We do not require, and do not seek, approval from our clients or the investors in our clients with respect to their trading.

We do not participate in any wrap fee programs.

We manage \$322,599,735 of client regulatory assets under management on a discretionary basis as of December 31, 2014. We do not manage any client assets on a non-discretionary basis.

## **Item 5. Fees and Compensation**

Our firm or one of our affiliates typically receives two types of compensation from our clients – an asset-based management fee and performance-based compensation.

Our fees are generally not negotiable. We have the general discretion to waive all or a portion of the asset-based management fee and/or the performance-based compensation. In addition, we may enter into side letter arrangements with certain investors in our clients, in which we grant them preferential terms.

Our firm and certain of our affiliates do not pay asset-based or performance-based fees.

We deduct the asset-based management fee described above from our clients' accounts quarterly at the beginning of each quarter. We also deduct the performance-based compensation described above from our clients' accounts at the end of each year or when investors make a withdrawal or redemption (but only for the amount withdrawn or redeemed). Our compensation from managed account clients will likely be similar to the compensation we receive from our current pooled investment vehicle clients.

In connection with our pooled investment vehicle advisory services, our clients bear all of their own organizational and operational expenses. The list below details some these expenses, but does not include every possible expense our fund clients may incur.

- legal fees (including settlement costs);
- costs of any litigation or investigation involving our clients' activities;
- accounting costs (including tax preparation and audit expenses);
- administration costs;
- marketing expenses;
- insurance;
- costs associated with reporting and providing information to existing and potential investors;
- any governmental fees imposed on our clients; and
- withholding and/or transfer taxes.

Our clients also pay for expenses related to the investment of their assets, such as:

- proxy expenses;
- interest and commitment fees on loans and debit balances;

- borrowing charges on securities sold short;
- custodial fees;
- brokerage commissions;
- trade processing fees, including clearing and settlement charges;
- research fees and materials (including online news and quotation services);
- costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged in connection with specific transactions;
- bank charges; and
- other ordinary miscellaneous research and trade-related expenses.

We may choose to absorb some of these costs on behalf of our clients in our sole discretion.

Our managed account clients will pay for all of their own operating expenses. These will include all expenses incurred with their account transactions, such as custodial fees, brokerage commissions, taxes and any applicable registration fees.

For more information on brokerage transactions and costs, please see Item 12: Brokerage Practices.

The asset-based management fee that we charge our clients is payable at the beginning of each quarter. Investors in our clients may only withdraw or redeem capital at the end of each quarter. Accordingly, we do not need to provide fee refunds to underlying investors in our clients before the end of a billing period, because they do not pay a fee in excess of what they owe. Our clients do not pay any performance-based compensation in advance.

Neither our firm nor any of our principals or employees receives any compensation for the sale of securities or other investment products, including charges or fees from the sale of mutual funds.

**Item 6. Performance-Based Fees and Side-By-Side Management**

Our firm or our affiliates receive performance-based compensation in the form of a performance allocation from our clients. Please see Item 5: Fees and Compensation for an explanation of our performance-based compensation. The existence of the performance allocation may create an incentive for our firm or our affiliates to make riskier or more speculative investments than would be the case if we only received compensation based on a flat percentage of assets that we manage, because these investments may allow our firm to collect larger performance-based compensation. Our affiliates' investment in our clients aids in aligning our interests with the interests of our clients. We do not manage any clients that do not pay performance-based compensation.

## **Item 7.       Types of Clients**

All of our current clients are pooled investment vehicles. We anticipate providing discretionary investment advice to a limited number of separately managed accounts in the near future. Our current clients rely on an exclusion from the definition of “investment company” in the Investment Company Act of 1940, as amended. Accordingly, none of our clients is registered as an investment company with the Securities and Exchange Commission.

The investors in our clients must qualify as both “accredited investors,” as defined in the U.S. Securities Act of 1933, as amended, and “qualified purchasers” or “knowledgeable employees,” as defined in the U.S. Investment Company Act of 1940, as amended, and the rules thereunder, or as non-United States persons.

### Investment Requirements

Investors in our clients must generally make a minimum investment of \$1,000,000. We have the discretion to, and on occasion may, accept investments for a lesser amount.

We decide whether to open a separately managed account on a case by case basis.

This firm brochure is not an offer to invest in our clients.



## **Item 8. Method of Analysis, Investment Strategies and Risk of Loss**

In managing our clients, we utilize deep fundamental analysis across all classes of a company's capital structure to achieve our clients' investment objectives. These asset classes include a broad range of listed and unlisted instruments, whether publicly or privately offered, including but not limited to, loans, corporate bonds of investment and non-investment grade, convertible securities, equities, U.S. Treasuries, derivatives (interest rate, credit and equity), futures (mainly for hedging purposes), options (interest rate and equity), financing trades, margin loans, repurchase agreements, reverse repurchase agreements and total return swaps. There are no limitations on the markets, sectors or instruments in which we may trade for our clients, or the trading strategies that we may apply.

Our strategy entails investing in event-driven equities and debt focusing on cash flow generation or asset value. Event-driven securities include equities and debt created through spin-offs and financial restructurings as well as other potential changes in capitalization. We generally focus the analysis of the investment opportunity into two distinct areas: (i) understanding the operational and underlying business model, as well as studying the capital structure, so that we can attempt to fully understand the limitations and benefits of how the entity is financed and (ii) looking for the proper vehicle to express an investment view for our clients. We seek to buy securities that trade at a significant discount to their intrinsic values and to short securities that trade well above their intrinsic values. We invest in situations where a reason for a valuation discrepancy can be discerned and we deem temporary. We have described our investment policy and approach in detail in each client's offering documents, copies of which will be provided to qualified prospective investors.

Please see below for a detailed explanation of some of the significant risks associated with the investment strategies we employ.

- *Investment Judgment and Market Risk:* The success of our investment program depends, in large part, on correctly evaluating future price movements of potential investments. We cannot guarantee that we will be able to accurately predict these price movements and that our investment programs will be successful.
- *Investment and Trading Risk:* Investments in securities and other financial instruments involve a degree of risk that the entire investment may be lost. The use of short sales and option trading can, in certain circumstances, substantially increase the impact of unfavorable price movements of our clients' investments. Also, changes in the general level of interest rates may negatively affect our clients' results.
- *Dependence on our Firm.* The success of our clients is largely dependent upon our firm. There is no guarantee that our firm or the individuals employed by our firm will remain willing or able to provide advice to our clients' accounts or that trading on this advice will be profitable in the future. The

performance of our firm depends upon certain key personnel. If any of these personnel become incapacitated, the performance of our clients may be adversely affected.

- *Financial Markets and Regulatory Change:* The instability in global financial markets has increased the risks associated with the investment activities and operations of pooled investment vehicles, including those resulting from a reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which we work. Market disruptions over the recent years and the increase in capital being allocated to pooled investment vehicles and other alternative investment vehicles have led to increased scrutiny and regulation over pooled investments and the asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to our clients, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to our clients' interests.

The following is a description of the various strategies that we utilize in advising our clients and some important risks associated with each strategy. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in our investment strategies.

- *Short Selling:* We may sell short securities on behalf of our clients. Short selling of securities occurs when we borrow securities, promising to buy them at a later date. If the price drops, we can buy the securities at the lower price and make a profit on the difference. If the price of the securities rises, we have to buy them back at the higher price, and the investment loses money. Buying the securities can itself cause the price of the securities to rise further which would exacerbate the potential for loss.
- *Options:* We may take long or short positions in call and/or put options on behalf of our clients. There are risks associated with the sale and purchase of options. Call options are the right to buy a security at a certain price within a defined time period. Put options are the right to sell a security at a certain price within a defined time period. A buyer of either type of option assumes the risk of losing its entire investment in the option. A buyer of a call option risks losing its investment if the particular security never reaches the designated price within the set time period. A buyer of a put option risks losing its investment if the particular security does not decline enough to reach the designated price within the set time period. A seller of an uncovered option may have to pay substantial additional margin, and may bear an unlimited risk of loss, since the seller must 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.

- *Leverage/Borrowing.* Subject to applicable margin and other limitations, we may borrow funds in order to make additional investments for our clients. Borrowing involves risk to our clients because the interest on the borrowed amount may be greater than the income from or increase in the value of the securities purchased with the borrowed amount. Also, the value of the securities purchased with the borrowed amount can decline below the amount borrowed.

Any investment profits made with the proceeds from borrowings in excess of interest paid on the borrowings will cause the income and value of a client to be greater than would otherwise be the case. On the other hand, if the value of the additional securities purchased with the borrowed money does not increase enough to cover the interest paid on the borrowings, then the income and value of a client will be less than would otherwise be the case. Generally, borrowing-type techniques used to increase potential returns are all forms of leverage.

- *Derivatives:* At times, we may invest in derivative contracts on behalf of our clients. A derivative is a financial instrument that is a contract between two parties, the value of which is linked to another security or commodity, or an “underlying asset.” Some of the derivatives in which we may trade are over-the-counter, meaning they are privately negotiated between two parties, as opposed to being traded on an exchange. Over-the-counter transactions typically involve significant transaction costs.

Any derivative contract typically involves leverage, as it exposes our clients to potential gain or loss from a change in the price of an underlying asset in an amount that exceeds the amount of cash or assets required to establish or maintain the derivative contract. Consequently, an adverse change in the price of the underlying asset can result in a loss to our clients that is more exaggerated than would have resulted from an investment that did not involve the use of leverage inherent in a derivative contract. Finally, derivative contracts present additional risks because, ultimately, their success depends in part on the counterparty’s financial condition, that is, the counterparty’s ability to turn over the cash flow it promised.

- *Credit Risk.* We may invest in bonds and other fixed income assets, including commercial paper and “higher yielding” (and, therefore, higher risk) debt securities, on behalf of our clients. These securities may be below “investment grade” and face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer’s inability to meet timely interest and principal payments. The market values of lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue these types of securities may be highly leveraged and may not have more traditional methods of financing available to them. A major economic

recession could severely disrupt the market for these types of securities and may have an adverse impact on the value of these types of securities. In addition, any economic downturn could adversely affect the ability of the issuers of these types of securities to repay principal and pay interest and increase the incidence of default.

- *Investment in Distressed Securities.* We may invest in companies, on behalf of our clients, whose securities are in transition, out of favor, financially leveraged or troubled, or potentially troubled, and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. These companies' securities may be considered speculative, and the ability of these companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within these companies. In addition, there is no minimum credit standard that we require to make investments for our clients and a significant portion of the obligations and preferred stock in which our clients invest may be less than investment grade.
- *Convertible Instruments.* Our clients may invest in convertible instruments. A convertible instrument is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a certain amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Convertible debt instruments have characteristics of both fixed income and equity investments. Our clients may invest in convertible instruments that have varying conversion values. If a convertible instrument is called for redemption, our clients will be required to permit the issuer to redeem the instrument, or convert it into the underlying stock, and our clients will then hold the stock to the extent we determine that the equity investment falls within the investment objective of our clients.
- *Illiquid Investments:* From time to time we may make illiquid investments on behalf of our clients. Illiquid investments are investments that are not heavily traded and cannot easily be converted to cash. If any of our clients requires cash and we must sell illiquid investments at an inopportune time, we might not be able to sell illiquid investments at prices that reflect our assessment of their value or the amount paid for them.

We do not recommend primarily any single type of security. Our clients' generally hold a diverse range of investments, yet we still encourage our clients as well as their investors to consider all of the risk factors we have described above. Any investment can be risky and our clients and investors in our clients must be prepared to assume any potential loss.

**Item 9.       Disciplinary Information**

Neither our firm nor any of our management persons has been involved in any criminal or civil actions in a domestic, foreign or military court.

Neither our firm nor any of our management persons has been subject to an administrative proceeding before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our firm nor any of our management persons has been subject to a proceeding before any self-regulatory organization.

## **Item 10. Other Financial Industry Activities and Affiliates**

Neither our firm nor any of our management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of our management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or is an associated person of any of the above; however, our firm and Andalusian Corporate Opportunities GP, LLC, an affiliate of our firm, are each exempt from registration as a commodity pool operator and a commodity trading advisor pursuant to the Commodity Exchange Act Rule 4.13(a)(3).

We manage the following master-feeder fund structure, which are our related persons:

- Andalusian Corporate Opportunities Fund, LP;
- Andalusian Corporate Opportunities Offshore Fund, Ltd.; and
- Andalusian Corporate Opportunities Master Fund, L.P.

Andalusian Corporate Opportunities GP, LLC, an affiliate of our firm, acts as the general partner to Andalusian Corporate Opportunities Fund, LP and Andalusian Corporate Opportunities Master Fund, L.P.

We do not recommend or select unaffiliated investment advisers for our clients, receive compensation directly or indirectly from unaffiliated advisers that create a material conflict of interest, or have other business relationships with them that create a material conflict of interest.

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

We have adopted a Code of Ethics in accordance with the Securities and Exchange Commission requirements under Rule 204A-1 of the Investment Advisers Act of 1940, as amended. Our Code of Ethics works to ensure that our principals and employees act in accordance with our firm's fiduciary duty to our clients and ensures that our principals and employees act in a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. Our Code of Ethics prohibits investing in certain securities by our principals and employees that we also invest in on behalf of our clients if our principal's or employee's investment transaction would disadvantage or appear to disadvantage our clients. Our Code of Ethics also prohibits investments made by any person covered by our Code of Ethics while in possession of material, non-public information.

Our firm requires preclearance before purchasing authorized investments for a personal securities account of individuals covered by our Code of Ethics. We also require all persons covered by our Code of Ethics to submit periodic reports of securities holdings and transactions. We require prompt internal reporting to our Chief Compliance Officer of any violation of our Code of Ethics. These paragraphs only represent a summary of key provisions in our Code of Ethics. We provide a copy of our entire Code of Ethics to any prospective client, any client or any investor in our clients that requests one, but may request a client or investor in our client to preserve the confidentiality of our Code of Ethics.

Principals and employees of our firm do not recommend to clients, nor do they buy or sell for client accounts, securities in which they have a material financial interest.

Principals and employees of our firm may buy and sell for themselves securities that they also buy and sell for our clients. This could create a conflict of interest if our principals and employees receive more favorable execution prices than do our clients because our principals' and employees' trades might have driven up the market prices of target securities. However, we attempt to eliminate this conflict through our broad personal securities trading restrictions contained in our Code of Ethics and by mandating that principals and employees cannot buy or sell these securities until we have first had the opportunity to buy or sell them for our clients' accounts or the consideration of the transaction is abandoned, and the transaction has been pre-cleared by our Chief Compliance Officer.

## **Item 12. Brokerage Practices**

We have complete investment and brokerage discretion over our clients' accounts. In selecting broker-dealers and determining the reasonableness of their commissions for our clients' transactions, our firm seeks to obtain the best execution for our clients' portfolios and we take into account the following factors:

- The broker-dealer's ability to effect prompt and reliable executions at favorable prices (including the applicable profit or commission, if any);
- The operational efficiency with which transactions are effected, considering the size of the order and difficulty of execution;
- The financial strength, integrity and stability of the broker-dealer;
- The broker-dealer's risk in positioning a block of securities;
- The quality, comprehensiveness and frequency of available research services considered to be of value; and
- The competitiveness of commission rates in comparison with other broker-dealers that satisfy our selection criteria.

We Have the Authority to Utilize Research and Other Soft Dollar Benefits. We are authorized to pay higher prices to buy securities from, or accept lower prices for the sale of securities to, brokerage firms that provide us or our affiliates with certain investment and research information. Research services furnished by broker-dealers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. We are not required to weigh any of these factors equally.

We have the option to use "soft dollars" generated by our client to pay for the research and research related services described above. The term "soft dollars" refers to the receipt by an investment manager of products and services provided by brokers, without any cash payment by the investment manager, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment manager. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker), as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the United States Securities Exchange Act of 1934, as amended, provides a "safe harbor" to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment manager in the performance of investment decision-making responsibilities. In the event that we elect to use soft dollars, we intend to limit our soft



dollar use to services that fall within the safe harbor afforded by Section 28(e) or services that are otherwise reasonably related to the investment decision-making process.

The Use of Soft Dollars Can Create a Conflict of Interest. Using client transactions to obtain research and other benefits creates incentives that result in conflicts of interest between advisers and their clients. If we use client markups or markdowns to obtain research products and services, our firm receives a benefit because we do not have to pay for the research products and services. The availability of these benefits may influence us to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the products and services instead of on our clients' interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other broker-dealers.

The use of soft dollars to obtain research services and to pay for other costs and expenses that our firm might otherwise incur creates a conflict of interest between our firm and our clients because our clients pay for products and services that are not exclusively for their benefit and that may benefit our firm. To the extent that we are able to acquire these products and services without expending our own resources, our use of soft dollar benefits tends to increase our profitability.

We May Consider Referrals in Selecting or Recommending Broker-Dealers. We may direct execution business to broker-dealers partially-based on the referral of clients. This presents an inherent conflict of interest, as we might have an incentive to direct business to brokerage firms with low-quality or high-cost execution. However, we mitigate this conflict due to the fact that the brokers that provide us with client referrals generally meet all of our other brokerage selection criteria.

Our Clients Do Not Direct Brokerage. Our firm does not recommend, request or require that a client, nor do we permit a client to, direct us to execute transactions through a specified broker-dealer; however, in the event that we do accept a separately managed account client at a later date, that relationship may allow the separately managed account client to select the broker for its transactions.

Because our clients conduct all their trading and operations through Andalusian Corporate Opportunities Master Fund, L.P., we do not currently aggregate trade orders, and any research services obtained from brokers are allocated to the clients through Andalusian Corporate Opportunities Master Fund, L.P. If we accept a separately managed account client at a later date that has the same investment program of that of our clients, we would attempt to conduct all transactions in the same securities as close to simultaneously as possible, aggregate trade orders to the extent possible and, if possible, allocate research pro rata.

### **Item 13.      Review of Accounts**

One of our principals, Michael Reeber or Harrison M. Wreschner, reviews all of our client accounts on a daily basis or as triggered by economic and market conditions. Where applicable, these reviews include an assessment of daily profit and loss reports with respect to our clients' investment positions. Our principals evaluate our clients' investments in a manner consistent with the investment goals of our clients.

We will also review accounts in certain extraordinary events, such as natural disasters, extreme political and economic events (*i.e.* a market crash) and any other event we believe creates abnormal market conditions. See the paragraph immediately above for a description of the other factors that may trigger reviews of client accounts.

We provide investors in our clients with written monthly performance data and quarterly investment letters. We also provide investors in our clients with account balances and written annual reports that contain audited financial statements and tax information. We also use our good faith efforts to conduct one-on-one quarterly calls with each investor in our clients that chooses.

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

We may receive certain economic benefits from broker-dealers and prime brokers which we conduct business with that might not be received otherwise. These benefits may include: company-specific research reports, industry research reports, access to the analysts who write the reports, corporate access events such as conferences where we access the management teams of the companies in which we invest for our clients. While broker-dealers generally provide these products and services at no additional cost, we may select certain broker-dealers due to receipt of these services. We address this conflict of interest by always seeking best execution from broker-dealers for our clients' transactions regardless of the products and services provided to us by the broker-dealers.

We have an arrangement with an unaffiliated third party to provide us with capital referrals in exchange for a percentage of our asset-based and performance-based fees applicable to any investor in a fund client introduced to us by such third party. Such agreement is in compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940. The referral fees paid to such third party are borne solely by our firm. Our clients and their investors are not responsible for any of the fees.

## **Item 15. Custody**

Due to our access to our clients and authority to deduct fees and other expenses from a client's account, we are deemed under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, to have custody of our clients' funds.

In order to comply with Rule 206(4)-2, we utilize the services of a bank or other qualified custodian (as defined under Rule 206(4)-2) to hold all assets of our clients. We also ensure that the qualified custodian maintains these funds in accounts that contain only clients' funds and securities.

When we open an account for a client under its name as agent or trustee, we notify the client in writing of the qualified custodian's name and address and the manner in which the funds or securities are maintained, and also notify them in writing of any changes. In addition, we maintain a separate record for each account which shows the dates and amount of all deposits and withdrawals and a list of each client's beneficial interest in the account.

While Rule 206(4)-2 generally requires an investment adviser to ensure that a qualified custodian sends account statements to clients at least quarterly, we are not subject to this requirement with respect to our clients because all clients managed by our firm 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. In these cases, we distribute audited financial statements to all investors in our clients within 120 days of the end of the fiscal year of the client.

## **Item 16. Investment Discretion**

Our firm accepts discretionary authority to manage our clients' securities accounts. Essentially, this means that we have the authority to determine, without obtaining specific client consent, which securities to buy or sell and the amount of securities to buy or sell, the broker through which we effect trades and the commission rates at which we effect trades. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in each of our clients' offering documents. These documents cover matters such as the types and amounts of securities of which a client's portfolio will consist and the degree of risk assumed by a client's portfolio.

Before accepting their subscriptions for interests in or shares of a client, we provide all potential investors with an offering document that sets forth, in detail, our investment strategy and program for the client. By completing our subscription documents to acquire an interest or shares in one of our clients, investors give us complete authority to manage their investments in accordance with the offering document that they each received.

## **Item 17.      Voting Client Securities**

Because clients have delegated the power to vote their securities to our firm, we have implemented proxy voting policies and procedures in accordance with securities laws and our fiduciary obligations to our clients. When deciding whether to vote proxies for our clients, we attempt to consider all aspects of our vote that could affect the value of our clients' investment; and where we do votes proxies, we do so in the manner that we believe maximizes shareholder value.

If a proxy vote creates a material conflict between our interests of and the interests of a client, we will resolve the conflict before voting the proxies. We will either disclose the conflict to the client and obtain consent or take other steps designed to ensure that a decision to vote the proxy was based on our determination of the client's best interest and was not the product of the conflict. We maintain records of how we vote all proxies on behalf of our clients. These records are available to the clients, including any investor in a client, upon request.

**Item 18. Financial Information**

Andalusian does not have any financial condition that would be likely to impair its ability to meet its commitments to its clients.