

Part 2A of Form ADV: Firm Brochure

Kingdon Capital Management, L.L.C.
152 West 57th Street, 50th Floor
New York, NY 10019
(212) 333-0100
www.kingdon.com

March 27, 2015

This brochure provides information about the qualifications and business practices of Kingdon Capital Management, L.L.C. If you have any questions about the contents of this brochure, please contact us at (212) 333-0100. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Kingdon is a registered investment adviser. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Kingdon Capital Management, L.L.C. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

We have updated this brochure since our last annual update on March 31, 2014 to reflect that Kingdon currently provides investment advisory services to a pooled investment vehicle sponsored by a third party.

Item 3 Table of Contents

The following is the table of contents for this brochure:

Item 1- Cover Page	Page 1
Item 2- Material Changes	Page 2
Item 3- Table of Contents	Page 3
Item 4- Advisory Business.....	Page 4
Item 5- Fees and Compensation	Page 4
Item 6- Performance-Based Fees and Side-By-Side Management	Page 5
Item 7- Types of Clients	Page 5
Item 8- Methods of Analysis, Investment Strategies and Risk of Loss	Page 6
Item 9- Disciplinary Information	Page 14
Item 10- Other Financial Industry Activities and Affiliations	Page 14
Item 11- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 14
Item 12- Brokerage Practices.....	Page 17
Item 13- Review of Accounts	Page 18
Item 14- Client Referrals and Other Compensation.....	Page 19
Item 15- Custody	Page 19
Item 16- Investment Discretion	Page 19
Item 17- Voting Client Securities	Page 19
Item 18- Financial Information.....	Page 20

Item 4 Advisory Business

Kingdon Capital Management, L.L.C. and its affiliates (“Kingdon” or the “Adviser”), a Delaware limited liability company, is an investment advisory firm founded in 1983 by Mark Kingdon, who is also the principal owner and Managing Member of Kingdon. No other person owns 25% or more of Kingdon.

Kingdon provides investment advisory services to Kingdon-sponsored pooled investment vehicles and a pooled investment vehicle sponsored by a third party (the “Managed Account” and together with the Kingdon funds, the “Funds” or “clients”). The investment advisory services provided to each Fund are based on the investment objectives and restrictions as set out in the Fund’s offering document. The terms upon which Kingdon serves as investment adviser to a Fund are established at the time each Fund is established and are generally set out in separate investment management agreements or in the underlying Fund documents. The terms of each investment management agreement and other Fund documents may vary from Fund to Fund. See Item 8 for a discussion of the investment strategies employed by Kingdon.

As of December 31, 2014, Kingdon managed approximately \$2,392,700,000 of client assets on a discretionary basis and no assets on a non-discretionary basis. The amount disclosed under this item is calculated based on the net asset value of each Fund, which differs from our “regulatory assets under management” disclosed under Part 1 of our Form ADV.

Item 5 Fees and Compensation

Kingdon generally receives advisory fees and performance fees (or allocations) in connection with the investment management and administrative services it provides to the Funds. Advisory fees and performance fees payable to Kingdon by a Fund are established by Kingdon at the time of the establishment of a Fund and may vary among each Fund or classes within a Fund. Specific details of such compensation and its method of calculation are set out in the investment management agreements and/or underlying governing documents (including offering materials) of the relevant Fund. Advisory fees generally are calculated and payable quarterly in arrears based on the client’s average net assets on the first day of each month of such quarter, at annual rates ranging from one percent to one and one half percent. Performance fees generally are calculated and payable annually, in an amount that ranges from 17.5% to 20% of the excess of net profits over advisory fees attributable to a Fund in excess of a high water mark. Advisory fees and performance fees are deducted from each Fund’s assets and are not billed separately. Kingdon also receives an annual advisory fee of 1.4% (but no performance fee) from the Managed Account, which is calculated daily and payable monthly in arrears.

The amount and method of the calculation of a performance fee or allocation, and of an advisory fee, may be changed by Kingdon, or the applicable board of directors or general partner(s) of a Fund, at any time with the consent of the Fund’s investors or limited partners. Kingdon, or the applicable board of directors or general partner(s) of a Fund, may waive all or a portion of a performance fee or advisory fee for Kingdon, its employees or other designated class of investors. Kingdon also reserves the right to apply different performance fee or advisory fee arrangements to investors on an individual basis. With respect to any performance fees, the Adviser will be in compliance with Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”) and with applicable no-action positions taken by the SEC.

In addition to the advisory fees and the performance fees, each Fund may bear expenses related to its operations and the investment of its assets. The enumerated list below is detailed but does not contemplate every possible expense a Fund may incur.

Each Fund may bear some or all of the following expenses: expenses related to their operations, including, without limitation, legal, accounting (including the cost of accounting software packages), audit and tax preparation expenses, administration fees, investment-related expenses (e.g., interest on margin accounts and other indebtedness, borrowing charges on securities sold short, expenses, premiums and charges related to investments in derivatives, options, forwards, futures and commodities contracts, custodial fees, brokerage fees and commissions (see Item 12 for more information on brokerage expenses)), legal, tax and accounting expenses related to actual and potential fund transactions and investments, clearing and settlement charges, interest expenses, investment-related consulting

and other professional fees, expenses related to: identifying, evaluating, acquiring, owning, selling or financing investments, hedging costs (for a more detailed explanation of hedging, please see Item 8), financing costs, research and trade-related expenses, including, without limitation, subscriptions, research licensing agreements, consultants and industry professionals, news and quotation equipment and services (including fees for data and software providers), investment and trading-related computer software, including trade order management software, expenses related to services that manage the filing of eligible class action claims, risk management expenses including software and related services and expenses, withholding and transfer fees, taxes, organizational expenses, costs of winding up a fund, expenses related to the purchase, sale or transmittal of client assets, insurance, indemnity or Fund related litigation expenses, regulatory filings, and other investment-related expenses as will be determined by Kingdon or as may be set out in the offering memoranda of any Fund.

The Managed Account bears its own operating expenses, including transaction fees, and may or may not include other expenses similar in nature to the Kingdon Funds, subject to the terms of the applicable fund documents.

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

Kingdon receives an annual performance fee (or allocation) from the Kingdon Funds it manages. These performance fees, as noted above in “Fees and Compensation,” may range from 17.5% to 20% of the excess of net profits over advisory fees attributable to the Funds in excess of a high water mark. Large or strategic investors, Kingdon employees and certain former employees and their family members may be charged a lower performance fee than other external Fund investors.

Kingdon faces a conflict of interest to the extent that it manages a Fund for which it receives a performance fee at the same time as it manages one or more other Funds for which it receives no performance fee or a different level of performance fee. A performance fee arrangement generally entitles an investment adviser to additional compensation based on the performance of the Fund bearing the performance fee. Kingdon may have an incentive to favor Funds or take increased investment risk on behalf of Funds for which it receives a larger performance fee because it could receive greater compensation from such Funds. In addition, due to the method of calculating the performance fees, such fees may be affected by factors within Kingdon’s control. A performance fee is typically dependent, in part, on the unrealized value of certain investments, which could provide an incentive for Kingdon to use higher valuations when calculating the performance fee. Each Fund’s financials, which are used as the basis upon which the performance fee is calculated, are reported in conformity with Generally Accepted Accounting Principles (“GAAP”), which generally require fair valuation of investments.

Kingdon has put into place policies and procedures to mitigate the risk of these conflicts of interest, including policies designed to allocate trades and securities to the Funds in a fair and equitable manner. These policies and procedures are described in more detail below under Item 11 “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” and Item 12 “Brokerage Practices.”

Item 7 Types of Clients

Kingdon provides investment advisory services, as described above in response to Item 4, to the Funds. Each Fund is not registered or required to be registered under the Investment Company Act of 1940. The securities of each Fund are not registered or required to be registered under the Securities Act of 1933 and are privately placed to qualified investors in the United States and elsewhere. As described above in Item 4, Kingdon also provides investment advisory services to a third-party pooled investment vehicle that qualifies as an undertaking for collective investment in transferable securities (“UCITS”), which has specific requirements for opening or maintaining an account as described in its offering document.

The Kingdon Funds generally have a specified minimum investment as set out in their offering documents; such minimums range from \$2 million to \$5 million. Investment minimums are subject to reduction at the discretion of the general partner(s) or board of directors of the Fund with respect to any investor. Subsequent contributions by then existing investors may be made in lower amounts. Kingdon may accept or reject part or all of any subscription for an interest in a Fund at its sole and absolute discretion.

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

A. Methods of Analysis

General: Kingdon generally manages two investment strategies: long/short equity and long/short credit. Both investment strategies emphasize liquidity and diversification.

Long/short equity strategy

Kingdon's objective with its long/short equity strategy is to maximize risk-adjusted total return. In selecting investments, an emphasis is put on both individual security selection ("bottom-up" approach) and general economic analysis ("top down" approach). An internally developed asset allocation model encompassing economic, technical and valuation factors is utilized in allocating each Fund's assets among various investments. Each Fund invests primarily in common stocks and bonds. Investment selection criteria include valuation (both asset- and earnings-based), earnings momentum, and relative price momentum. Balance sheet strength and market liquidity are also important considerations. In addition, certain securities are evaluated through a system of targets and stop losses. Active management of a significant portion of each Fund's portfolio may be emphasized, with a sensitivity to short-term market trends and price changes in individual securities. Each Fund may sell securities short and employs leverage when such action is deemed appropriate.

With respect to the Managed Account, Kingdon utilizes the long/short equity strategy to manage the portfolio consistent with investment restrictions and guidelines as negotiated with the Managed Account.

Long/short credit strategy

Kingdon's objective with its long/short credit strategy is to deliver absolute returns from a diversified portfolio of credit investments, with relatively low volatility. Such holdings may include, but are not limited to, corporate bonds, loans, credit default swaps, credit indices, distressed, high-yield, bankruptcy claims and convertible securities. The strategy uses leverage and engages in short sales. The strategy combines a solid macro framework and fundamental analysis with the credit execution and risk management experience of its team of investment professionals.

B. Material Risks

Material risks of Kingdon's investment strategies:

The investment strategies employed by Kingdon subject a Fund to various risks, including the possible loss of principal. Investing in any of the Funds involves the risk that the Fund may not achieve its investment objective. A Fund's value may vary based on market fluctuations caused by such factors as economic and political developments, changes in interest rates, and perceived trends in security prices. Investors in a Fund should be aware that all investments in securities involve a risk of loss of their investment, which they should be prepared to bear.

Market Risks. The profitability of a significant portion of a Fund's investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that Kingdon will be able to accurately predict these price movements. Although Kingdon may attempt to mitigate market risk through the use of long and short positions or other methods, there is always some, and occasionally a significant, degree of market risk.

Fund Expenses. A Fund's investment strategy may involve frequent trading and therefore the Fund may incur significant brokerage commission expenses. Further, a Fund may invest in other investment companies, registered or unregistered, managed accounts or special purpose vehicles and will bear the fees and expenses of those arrangements. As a result of the foregoing, a Fund's expenses may significantly exceed those of other investment entities of comparable size.

Aggressive Investment Style. Kingdon intends to pursue a flexible and often aggressive investment style. In this regard, Kingdon expects to employ any investment technique or strategy that Kingdon believes will help a

Fund achieve its investment objective. As a result of the speculative nature of the investments and strategies used by Kingdon, the investment performance of a Fund may be more volatile than that of the securities markets generally. No assurance can be given that any investment technique or strategy utilized by Kingdon will be successful and there is a material risk that a limited partner may suffer a significant impairment or total loss of its investment.

Leverage. While the use of leverage can substantially improve the return on invested capital, such use may also increase the adverse impact to which a Fund's portfolio may be subject. Borrowings will usually be from securities broker-dealers and will typically be secured by a Fund's securities and other assets. Under certain circumstances, a lending broker-dealer may demand an increase in the collateral that secures a Fund's obligations and if the Fund were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the Fund's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences for the Fund. In addition, the amount of a Fund's borrowings and the interest rates on those borrowings, which may fluctuate, will have a significant effect on the Fund's profitability. In an unsettled credit environment, Kingdon may find it difficult or impossible to obtain leverage for a Fund. Since leveraging its assets may be a part of the investment strategy of a Fund, in such event, the Fund could find it difficult to fully implement its investment strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in a Fund being forced to unwind positions quickly and at prices below what Kingdon deems to be fair value for the positions.

Short Sales. Short selling, or the sale of securities not owned by a Fund, necessarily involves certain additional risks. Such transactions expose a Fund to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and in the case of equities, without effective limit. There is the risk that the securities borrowed by a Fund in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein a Fund might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Non-Diversification. While it is anticipated that a Fund's portfolio will be somewhat diversified among types of industries, geographic areas, types of securities and issuers, the Fund may often be invested primarily in equity securities and is not required to maintain any specific level of diversification among industries, geographic areas and issuers. Accordingly, a Fund's portfolio may be subject to more rapid change in value than would be the case if the Fund were required to maintain a wider diversification among industries, geographic areas, types of securities and issuers.

Lack of Liquidity of Fund Assets. Fund assets may, at any given time, include securities and other financial instruments or obligations which are very thinly traded or for which no market exists or which are restricted as to their transferability under applicable federal securities laws. The sale of any such investments may be possible only at substantial discounts.

Valuation. A Fund's assets may be invested in securities that are illiquid or very thinly traded. These investments may be extremely difficult to value accurately. In light of the foregoing, there is a risk that an investor in a Fund who redeems all or part of his investment while a Fund holds such illiquid or thinly traded investments will be paid an amount less than he would otherwise be paid if the actual value of such investments is higher than the value designated by the Fund. Similarly, there is a risk that such investor might, in effect, be overpaid if the actual value of the illiquid or thinly traded investment is lower than the value designated by a Fund. In addition, there is a risk that an investment in a Fund by a new investor in the Fund (or an additional investment by an existing investor) could dilute the value of the existing investor's interest in such investments.

Because of overall size or concentration in particular markets of positions held by a Fund or securities laws restrictions on a Fund's ability to trade securities as a result of a Fund owning a controlling stake in, having representation on a board of directors of, or being deemed an affiliate of, a particular company, the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations arrived at using the methodology described in a Fund's offering document. In addition, the timing of liquidations may

also affect the values obtained on liquidation. Third party pricing information may not be available for certain positions held by a Fund. Securities held by a Fund may trade with bid-ask spreads that may be significant.

Non-U.S. Securities. A Fund may invest a portion of its assets in securities of companies domiciled or operating in one or more non-U.S. countries. Investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some non-U.S. governments, the possibility of expropriation, limitations on the use or removal of Funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of non-U.S. tax laws (e.g., the imposition of withholding taxes on dividends, interest payments or deductions from net gains) or confiscatory taxation may also affect investment in non-U.S. securities. Higher expenses may result from investment in non-U.S. securities than would from investment in domestic securities because of the costs that must be incurred in connection with conversions between various currencies and non-U.S. brokerage commissions that may be higher than the United States. Securities markets outside of the U.S. also may be less liquid, more volatile and less subject to governmental supervision than in the United States. Investments in non-U.S. countries could be affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

Currency Risks. A Fund's investments that are denominated in a foreign currency are subject to the risk that changes in currency exchange rates may materially adversely affect the value of a Fund's portfolio and the unrealized appreciation or depreciation of investments. A Fund or Fund share-class may also incur costs in connection with conversions between different currencies. The value of a particular currency will change in relation to one or more other currencies. Among, but not limited to, the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. In addition, governments may exercise foreign currency controls that may materially adversely affect Kingdon's investment strategies in various circumstances that cannot be foreseen. Kingdon, its Funds and/or a Fund share-class may try to hedge these risks by investing in foreign currencies, foreign currency futures contracts and options thereon, forward foreign currency exchange contracts, or any combination thereof, but there can be no assurance that such strategies will be effective.

Special Situations or Event Driven Strategy. A Fund may have significant investments in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. There are significant business risks associated with event driven investing. Because of the inherently speculative nature of this activity, the results may fluctuate from period to period and are not expected to correlate with the direction of the equity markets. Accordingly, the results of a particular period will not necessarily be indicative of results which may be expected in future periods. The number of such opportunities available varies greatly and is based on many factors beyond the control of Kingdon. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or result in a distribution of cash or a new security, the value of which will be less than the purchase price to a Fund, or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Fund may invest, there is a potential risk of loss by the Fund of its entire investment in such companies.

High Growth Industry Related Risks. A Fund may invest in high growth companies (e.g., technology, communications and healthcare), which may allocate, or may have allocated, greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. In addition, companies in which a Fund invests could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have difficulty establishing or protecting their proprietary rights in technology, have no proven profit-

making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

Emerging Markets. A Fund may invest in emerging market securities. Investing in emerging market securities involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (a) less liquidity of securities markets; (b) currency exchange rate fluctuations; (c) potentially higher rates of inflation (including hyperinflation); (d) a higher degree of governmental involvement in and control over the economies; (e) differences in auditing and financial reporting standards which may result in the unavailability of material information about economics and issuers; (f) less extensive regulatory oversight of securities markets; (g) longer settlement periods for securities transactions; (h) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; and (i) certain consequences regarding the maintenance of portfolio securities and cash with sub-custodians and securities depositories in emerging market countries.

Investor Activism; Control Positions. A Fund may actively seek to influence the management or business direction of some of its portfolio companies. A Fund may invest in a particular company based upon its belief that the company's business and operations could improve as a result of the Fund's influence. If the company then resists the Fund's efforts to influence it, the company may suffer poor performance. Even if the strategy is adopted and is successful, a substantial period of time may elapse between a Fund's purchase of the investment and the achievement of the anticipated results. Moreover, as a result of a Fund's investment strategy and the possibility that a Fund may participate in restructuring or similar activities, it is possible that a Fund may become involved in litigation (as either plaintiff or defendant). Litigation entails expense and the possibility of claims for damages against a Fund and ultimately judgments may be rendered against a Fund.

To the extent that a Fund owns a controlling stake in, has representatives on a board of directors or is deemed an affiliate of, a particular company, it may be subject to certain additional securities law regulations and restrictions which could affect both the liquidity of the Fund's interest and the Fund's ability to liquidate its interest without adversely impacting the stock price, including insider trading restrictions, the affiliate sale restrictions of Rule 144 of the Securities Act of 1933, as amended, and the disclosure requirements of Sections 13 and 16 of the Securities Exchange Act of 1934, as amended. In addition, to the extent that affiliates of a Fund or Kingdon are subject to such restrictions, a Fund, by virtue of its affiliation with such entities, may be similarly restricted, regardless of whether the Fund stands to benefit from such affiliate's stock ownership.

Furthermore, a Fund may also be subject to similar requirements in non-U.S. jurisdictions where it holds significant positions in the securities of public companies in such jurisdictions.

Relative Value Strategy. A Fund may pursue relative value strategies by taking long positions in assets believed to be undervalued and short positions in assets believed to be overvalued. In the event that the perceived mispricings underlying a Fund's trading positions were to fail to converge toward, or were to diverge further from their expectations, the Fund may incur a loss. Even pure riskless arbitrage can result in significant losses if the arbitrage is not sustained (due to, for example, margin calls) until expiration. In implementing relative value strategies, a Fund may seek to reduce exposure to the risk of overall market price movements, but will still be fully exposed to the risks of disruptions in historical price relationships, the restricted availability of credit and the obsolescence of their valuation models.

Side Letters. A Fund may enter into arrangements ("side letters") with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those set out in a Fund's offering memorandum. For example, such terms and conditions may provide for special rights to make future capital contributions in a Fund, other investment vehicles or managed accounts, as appropriate or special withdrawal rights relating to frequency, notice, a reduction or rebate in fees or withdrawal penalties to be paid by the investors and/or other terms. Additional side letter terms and conditions may also include transparency rights to receive reports from a Fund on a more frequent basis or that include information not provided to other investors and such other rights as may be negotiated between a Fund and such investors. As a result of certain investors being granted preferential rights, there is a risk that investors who do not receive the same rights may be disadvantaged.

Other Business Activities. Kingdon and its employees have agreed to devote so much of their time and efforts to the affairs of each Fund as may, in their judgment, be necessary to accomplish the purposes of the Fund. However, Kingdon and its employees may conduct any other business including any business with respect to securities. Without limiting the generality of the foregoing, Kingdon and its employees may act as an investment adviser or investment manager for others, may manage funds or capital for others, may have, make and maintain investments in his or its own name or through other entities, and may serve as an officer, director, member, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms. It may not always be possible or consistent with the investment objectives of Kingdon and its employees and of a Fund for the same investment positions to be taken or liquidated at the same time or at the same price.

Material Non-Public Information. As part of its investment advisory activities for a Fund, Kingdon may come into possession of material non-public information of an issuer that it will be prohibited from using for the benefit of the Fund, Kingdon or the other Funds Kingdon manages. In such a circumstance, the Funds are generally restricted in their ability to buy and sell the securities of such issuer, and a Fund may experience a loss in value in the related investment.

Trade Errors. Each Fund will bear any loss due to trade errors caused by Kingdon, except for liability arising from losses caused by Kingdon's gross negligence or willful misconduct in the performance of duties under the Fund operating agreement, subject to any modification of this standard as may be set out in the Fund's governing documents.

Material risks of securities:

Kingdon does not recommend any particular type of security; rather, Kingdon recommends securities and other instruments based on the investment objectives and strategies of the Fund.

Debt Securities. A Fund may invest in fixed income securities and other debt securities or instruments. At any given time, a Fund may invest in fixed income securities rated lower than Baa by Moody's or lower than BBB by Standard & Poor's ("S&P") (or in comparable non-rated securities). Securities rated lower than Baa by Moody's or lower than BBB by S&P (or comparable non-rated securities) are sometimes referred to as "high yield" or "junk" bonds. Securities rated Baa are considered by Moody's to have some speculative characteristics. Lower-rated securities may include securities that have the lowest rating or are in default. Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. The yields and prices of lower-rated securities may tend to fluctuate more than those for higher-rated securities. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of the securities.

Interest Rate Risk. Because a Fund may invest in debt securities, it is subject to interest rate risk. Generally, the value of debt securities will change inversely with changes in interest rates. As interest rates rise, the market value of debt securities tends to decrease. Conversely, as interest rates fall, the market value of debt securities tends to increase. This risk will be greater for long-term securities than for short-term securities.

Bank Debt. A Fund may invest in bank debt, which includes interests in loans to companies or their affiliates undertaken to finance a capital restructuring or in connection with recapitalizations, acquisitions, leveraged buyouts, refinancings or other financially leveraged transactions and may include loans which are designed to provide temporary or bridge financing to a borrower pending the sale of identified assets, the arrangement of longer-term loans or the issuance and sale of debt obligations. A Fund may also invest in collateral on financial instruments, including interests on whole commercial, consumer and other loans and lease contracts. These loans, which may bear fixed or floating rates, have generally been arranged through private negotiations between a corporate borrower and one or more financial institutions ("Lenders"), including banks. A Fund's investment may be in the form of participations in loans ("Participations") or of assignments of all or a portion of loans from third parties ("Assignments").

In certain cases, the rights and obligations acquired by a Fund through the purchase of an Assignment may differ from, and be more limited than, those held by the assigning selling institution. Assignments are sold strictly without recourse to the selling institutions, and the selling institutions will generally make no representations or warranties to a Fund about the underlying loan, the borrowers, the documentation of the loans or any collateral securing the loans.

With respect to Participations, a Fund has the right to receive payments of principal, interest and any fees to which it is entitled only from the Lender selling the Participation and only upon receipt by the Lender of the payments from the borrower. A Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan in which it has purchased a Participation, nor any rights of set-off against the borrower, and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the Participation. Thus, a Fund assumes the credit risk of both the borrower and the Lender that is selling the Participation. In addition, in connection with purchasing Participations, a Fund generally will have no role in terms of negotiating or effecting amendments, waivers and consents with respect to the loans underlying the Participations. In the event of the insolvency of the Lender, a Fund may be treated as a general creditor of the Lender and may not benefit from any set-off between the Lender and the borrower.

Loans. Investments in Participations and Assignments involves additional risks, including the risk of nonpayment of principal and interest by the borrower, the risk that any loan collateral may become impaired and that a Fund may obtain less than the full value for the loan interests sold because they may be illiquid. Purchasers of loans depend primarily upon the creditworthiness of the borrower for payment of interest and repayment of principal. If scheduled interest or principal payments are not made, the value of the instrument may be adversely affected.

Investments in loans through direct assignment of a financial institution's interests with respect to a loan may involve additional risks. For example, if a loan is foreclosed, a Fund could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral. In addition, it is conceivable that under emerging legal theories of lender liability, a Fund could be held liable as a co-lender.

A loan is often administered by a bank or other financial institution that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. Unless, under the terms of the loan or other indebtedness, a Fund has direct recourse against the borrower, the Fund may have to rely on the agent to apply appropriate credit remedies against a borrower. If assets held by the agent for the benefit of a Fund were determined to be subject to the claims of the agent's general creditors, the Fund might incur certain costs and delays in realizing payment on the loan or loan participation and could suffer a loss of principal or interest.

Interests in loans are also subject to additional liquidity risks. Loans are generally subject to legal or contractual restrictions on resale. Loans are not currently listed on any securities exchange or automatic quotation system, but are traded by banks and other institutional investors engaged in loan syndication. As a result, no active market may exist for some loans, and to the extent a secondary market exists for other loans, such market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. Consequently, a Fund may have difficulty disposing of Assignments or Participations in response to a specific economic event such as deterioration in the creditworthiness of the borrower, which can result in a loss. In such market situations, it may be more difficult for a Fund to assign a value to Assignments or Participations when valuing the Fund's securities and calculating its net asset value as of a specific date.

Credit Derivatives. Credit derivatives are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another. Such instruments may include one or more debtors. Payments under credit derivatives may be made during the exercise period of the contracts. Payments under many credit derivatives are triggered by credit events such as bankruptcy, default, restructuring, failure to pay, cross default or acceleration, obligation acceleration, repudiation/moratorium, rating decline, etc. Such payments may be for notional amounts, actual losses or amounts determined by formula.

The market for credit derivatives is somewhat illiquid and there are considerable risks that it may be difficult to either buy or sell the contracts as needed or at reasonable prices. Sellers of credit derivatives carry the inherent price, spread and default risks of the debt instruments covered by the derivative instruments. Buyers of credit

derivatives carry the risk of non-performance by the seller due to inability to pay. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the derivative and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk.

Credit Default Swaps. The buyer of a credit default contract is obligated to pay the seller a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation or entity. Generally, a credit event means bankruptcy, default, restructuring, failure to pay, cross default or acceleration, obligation acceleration, repudiation/moratorium, rating decline, etc. A Fund may be either the buyer or seller in a transaction. If a Fund is a buyer and no credit event occurs, the Fund will have made fixed payments and received nothing. However, if a credit event occurs, a Fund, as a buyer, typically will receive full notional value for a reference obligation that may have little or no value. As a seller, a Fund receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligation which may have little or no value.

In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. Swap contracts are currently not traded on exchanges and are not otherwise regulated, and as a consequence investors in such contracts do not benefit from regulatory protections. The selling of credit default swaps involves greater risks than if a Fund had invested in the reference obligation directly. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value. The buyer of credit default swaps will incur a loss if the seller fails to perform on its obligation should a credit event occur. In certain circumstances, the buyer can receive the notional value of a credit default swap only by delivering a physical security to the seller, and is at risk if deliverable security is unavailable or illiquid.

Options. A Fund may trade in put and call options, which are highly specialized activities and entail greater than ordinary investment risks. Because option premiums paid or received by an investor are small in relation to the market value of the investments underlying the options, trading put and call options can result in large amounts of leverage. The leverage offered by trading in options could cause an investor's asset value to be subject to more frequent and wider fluctuations than would be the case if the investor did not invest in options.

Kingdon generally does not intend to write or sell uncovered options (i.e., options where a Fund does not have an offsetting position in the underlying security or in other options). However, where an option is written or granted (sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss may be unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, on expiration of the option, be significantly different from the market value. To the extent that such options are uncovered, a Fund could incur an unlimited loss.

Counterparty and Settlement Risk. To the extent that a Fund invests in structured products, derivative or synthetic instruments, or other over-the-counter transactions or in non-U.S. securities, under certain circumstances, the Fund may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

Small to Medium Capitalization Companies. A Fund may invest in the stocks of companies with small-to medium-sized market capitalizations. Such stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

Commodity Trading Risks. A Fund may invest in commodity forward contracts, futures contracts (including, but not limited to, financial futures), and other commodity interests or swaps. Trading in commodity interests may involve substantial risks. Commodity markets are highly volatile. The 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. There is no assurance that a liquid secondary market will exist for commodity futures contracts or options purchased or sold, and a Fund may be required to maintain a position until exercise or expiration, which could result in losses. Many commodity exchanges limit the amount of fluctuation permitted in contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. Contract prices could move to the daily limit for several consecutive trading days permitting little or no trading, thereby preventing prompt liquidation of commodity interest positions and potentially subjecting a Fund to substantial losses. Investing in commodities and forward or futures contracts is a highly specialized investment activity entailing greater than ordinary investment risk.

Certain commodities, such as hard assets and agricultural commodities may be affected by actions and changes in governments and also may be cyclical in nature. During periods of economic or financial instability, hard asset securities may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. In addition, hard asset and agricultural commodities may also be subject to the risks generally associated with extraction of natural resources, such as the risks of mining and oil drilling, and the risks and hazards associated with natural resources and agriculture, such as fire, drought, increased regulatory and environmental costs, and others.

Forward Contracts. A Fund may trade forward contracts. Trading in forward contracts involves significant risks. Forward contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. A Fund, in trading forward contracts, will therefore be subject to the risk of credit failure or the inability of or refusal of forward contract dealers to perform with respect to its forward contracts. There is no limitation on the daily price movements of forward contracts, and a dealer is not required to continue to make markets in such contracts. There have been periods during which forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the bid and ask price. Forward contract trading may therefore be highly illiquid.

Distressed Securities. A Fund may invest in “distressed securities” -- securities, private claims and obligations of entities that are experiencing significant financial or business difficulties or have filed for Chapter 11 protection under the U.S. Bankruptcy Code. Investments may include loans, commercial paper, accounts and notes payable, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded.

Distressed securities may result in significant returns to a Fund, but also involve a substantial degree of risk. A Fund may lose a substantial portion or all of its investment in a distressed environment, may be required to accept cash or securities with a value less than a Fund’s investment and/or may be prohibited from exercising certain rights with respect to such investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court’s discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses. In addition, funding a plan of reorganization involves additional risks, including risks associated with equity ownership in the reorganized entity. Moreover, to the extent that a Fund invests in “distressed” sovereign debt obligations, the Fund will be subject to additional risks and considerations not present in private distressed securities, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which might be affected by world events, changes in U.S. foreign policy, and other factors outside the control of Kingdom. The market for distressed securities and instruments is generally thinner and less active than other markets, which can adversely affect the prices at which distressed securities can be sold.

Convertible Securities. A Fund may invest in convertible securities, securities that may be exchanged or converted into a predetermined number of the issuer's underlying shares or the shares of another company or that are indexed to an unmanaged market index at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants, zero-coupon bonds or liquid-yield option notes, stock index notes, mandatories, or a combination of the features of these securities. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase and conversely, increase as interest rates decline. Convertible securities, however, also appreciate when the underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates.

Different Capital Structure Risks. A Fund or Funds may invest in different parts of the capital structure of the same issuer. For example, a Fund may invest in the equity securities of an issuer while another Fund invests in the debt securities of the same issuer. Similarly, a Fund may invest in debt securities issued by a company, the rights of which are subordinated to debt securities invested in by another Fund. The interests of such Funds may not always be aligned, which may give rise to actual or potential conflicts of interest, or the appearance of such conflicts of interest. Additionally, a Fund may invest in different capital structures of the same issuer such as making a long investment in the equity of an issuer while shorting the debt securities of the same issuer.

Trading in Futures Contracts. A Fund may invest in futures contracts, options and options on futures contracts thereon both for hedging purposes and to increase the total return on the Fund's portfolio. Trading in futures contracts, options and options on futures contracts is a highly specialized activity which, while it may increase the total return on a Fund's portfolio, may entail greater than ordinary investment risks.

Credit Ratings Risk. Debt instruments are subject to varying degrees of credit risk, which may be reflected in their credit ratings. However, ratings are only the opinions of the companies issuing them and are not guarantees as to quality. There is the chance that any of the Fund's portfolio holdings will have their credit ratings downgraded, potentially reducing the Fund's income level or share price.

A discussion of additional material risks and material conflicts of interest may be set out in the offering memoranda of particular Funds.

Item 9 Disciplinary Information

There are no material legal or disciplinary events required to be disclosed under this Item 9.

Item 10 Other Financial Industry Activities and Affiliations

Pooled Investment Vehicles and Sponsors of Limited Partnerships

Kingdon serves as investment adviser to the Funds. Kingdon controls Kingdon Associates Parent, L.P. and Kingdon GP, LLC, each of which, along with Kingdon, serves as general partners to various Funds organized as limited partnerships.

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

Code of Ethics and Personal Trading

Kingdon has adopted a Code of Ethics (the "Code") in accordance with Rule 204A-1 under the Advisers Act. The Code is based on Kingdon's fiduciary duty to its clients. The fundamental tenants of the Code include: (1) place the interests of clients first; (2) conduct personal securities transactions in a manner so as to be consistent with the Code and avoid any actual or potential conflict of interest or any abuse of a Kingdon employee's position of trust and responsibility; (3) refrain from taking inappropriate advantage of the relationship with the clients; (4) maintain the

confidentiality of security holdings and financial circumstances of clients; and (5) maintain independence in the investment decision making process.

As a fiduciary, Kingdon and its employees owe an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its clients. Generally, the Code imposes the following five basic requirements on Kingdon and its employees: (1) they must comply with all applicable federal laws; (2) they must avoid conflicts of interest and disclose all material facts concerning any conflict that may arise with respect to any client; (3) their conduct must conform with the ethical standards set out in the Code; (4) their personal securities transactions must comply with the Code; and (5) they must obtain prior approval for certain personal securities transactions as described under the Code. Kingdon forbids the illegal use of material non-public information in trading securities – regardless of whether the trades are executed for client accounts or for a personal securities account.

At the commencement of employment at Kingdon and thereafter annually, all access persons, as defined below, must sign an acknowledgment that they have received, read and understand all provisions of the Code and agree to be subject to the Code, and any amendments. Access persons are supervised persons who may have access to non-public information regarding a client's purchase or sale of securities or to non-public information regarding portfolio holdings, who may be involved in making securities recommendations to clients, or who may have access to such recommendations that are non-public.

The Code generally does not permit employees to engage in personal securities transactions, except under certain limited circumstances. Generally, the Code requires access persons to obtain pre-clearance of transactions in their own personal accounts, with limited exceptions, as well as accounts held by relatives that are members of their household. In addition, access persons must report all investment holdings in these accounts. The Code also requires that access persons report transactions in securities, with limited exceptions, to Kingdon's legal/compliance department no later than 30 days after the end of the calendar quarter.

In addition, the Code generally prohibits access persons from buying or selling any security for his or her account if he or she knows at the time of the transaction that the security is being purchased or sold, or is being considered for purchase or sale by a Fund, subject to certain exceptions. The Code enables access persons to purchase securities in a private placement, provided that he or she makes certain representations on a pre-clearance form and obtains approval from Kingdon's legal/compliance department of the purchase. An access person may invest in certain investments such as exchange-traded funds, master limited partnerships and registered closed-end funds (subject to a 90-day holding period for such investments).

The Code also requires confidential treatment of information acquired at Kingdon, and contains political contributions, outside activities and gift and entertainment policies, among other items.

A copy of Kingdon's Code will be provided upon request.

Participation or Interest in Client Transactions

From time to time, Kingdon, its officers, directors and employees may have a material financial interest in securities that are recommended to clients for purchase or sale and may buy or sell securities that are recommended to clients for purchase or sale. Kingdon recognizes that this practice may result in conflicts of interest.

It is Kingdon's policy that neither Kingdon, nor any person in a control relationship with Kingdon, nor any employee of Kingdon shall effect transactions as a principal with any Fund unless such transactions are in compliance with the provisions of Rule 206(3)-2 under the Advisers Act. Kingdon has adopted a cross trade policy to govern how Kingdon processes a coordinated purchase of a security on behalf of one Fund and a sale of the same security on behalf of another Fund at the same time (a "cross trade"), which includes monthly rebalancing of a Fund's portfolio.

Kingdon, its affiliates, their employees and relatives of the employees may invest, directly or indirectly, in Kingdon Funds. The terms of investment, including economic and liquidity terms, applicable to such investors, as well as certain large or strategic investors may be more favorable than the terms available to other investors in a Fund and the other investors will not be provided with notice of such terms or an opportunity to invest on such terms.

Additionally, Kingdon employees and certain former employees and their family members may be charged a lower advisory and performance fee than other Fund investors.

Kingdon, its officers, directors and employees may trade securities for their own accounts, including securities held by a Fund. Kingdon, its officers, directors and employees may from time to time take positions in their proprietary accounts that are opposite the positions taken for, or held by, a Fund. Kingdon, its officers, directors and employee may receive more favorable execution than the Funds. Personal transactions must comply with the Code, which is discussed above.

Allocation of Investment Opportunities

There is a potential conflict of interest when determining the allocation of limited investment opportunities across Funds with similar investment mandates. To mitigate the risk of favoring certain Funds over others, Kingdon has adopted an allocation policy pursuant to which it will seek to allocate investment opportunities among its clients in a manner that, over time, is on a fair and equitable basis. In allocating investment opportunities among its clients, Kingdon makes a determination, exercising its judgment in good faith, as to whether an opportunity is appropriate for each client. Factors in making such a determination may include a client's liquidity, investment objectives and investment strategies of the client, the regulatory constraints of the client, the composition of the client's existing portfolio, the size or amount of the available opportunity, the characteristics of the securities involved, the liquidity of the markets in which the securities trade, the risks involved, and other factors relating to the relevant client and investment opportunity.

If Kingdon determines that an investment opportunity is appropriate for more than one client, then Kingdon allocates such investment opportunity among clients in a manner that Kingdon determines, exercising its judgment in good faith, to be fair and equitable. Allocations to certain Funds may be modified consistent with the monthly rebalancing of the portfolios, as well as regulatory, legal and tax considerations, such as the ability to participate in "New Issue Securities," jurisdictional restrictions placed on Funds investing into Regulation S instruments, tax considerations of offshore Funds investing in pass-through investments and bridge loans, and certain private placement issuers, which may prohibit allotments of a de minimis size.

Long/Short Equity Strategy

Kingdon generally allocates investment opportunities among the Equity Funds (as defined below) on a pro-rata basis based on the equity of each Equity Fund determined at the first of every month. The allocation of investments to the Managed Account is generally determined independently of the Equity Funds in accordance with the Managed Account's investment guidelines.

Long/Short Credit Strategy

Kingdon generally allocates credit and fixed income investment opportunities among Kingdon Credit Master Fund L.P. (the "Credit Fund"), Kingdon Associates, Kingdon Family Partnership L.P., and M. Kingdon Offshore Master Fund L.P. (collectively, the "Equity Funds") pro-rata based on a gross asset allocation target for credit and fixed-income instruments – generally 100% for the Credit Fund and between 20-30% for the Equity Funds. Kingdon's Accounting Department is responsible for periodically, generally monthly, setting and disseminating to Kingdon the appropriate allocation percentages, and such percentages are subject to change by Kingdon without any notice to investors. The target allocation is subject to various exceptions including, without limitation:

- Allocating up to 100% of a position to the Credit Fund if the position size of an individual trade is under \$5 million.
- To the extent the appropriate level of exposure and portfolio target allocation percentage changes for a Fund, adjusting allocations to new positions to more efficiently reflect the new target allocation percentages.

Non-credit instruments, including but not limited to, equity, preferred equity, convertible bonds, portfolio/macro/tail hedges, interest rates, currencies and commodities are allocated based on the particular circumstances of each Fund, and are not necessarily subject to the target allocation.

These allocation policies are intended to be flexible, may be modified or amended from time to time and are subject to change by Kingdon, in its sole and absolute discretion, without prior notice to investors.

Item 12 Brokerage Practices

Kingdon is authorized to determine the broker or dealer to be used for each securities transaction for the Funds. In selecting brokers or dealers to execute transactions, Kingdon seeks to obtain best execution, which is a duty to execute securities transactions for the Funds in such a manner that the Funds' total cost or proceeds in each transaction is the most favorable under the circumstances. In considering total cost or proceeds, Kingdon considers the full range and quality of a broker's services in placing brokerage including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility, and responsiveness to the money manager, and the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution for the Fund. Kingdon is not required to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not Kingdon's practice to negotiate "execution only" commission rates; thus, Funds may be deemed to be paying "soft dollars" meaning research, brokerage or other non-execution services provided by the broker or dealer that are included in the commission rate.

While Kingdon may place transactions with a broker or dealer that (i) provides Kingdon with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to a Fund or other products advised by Kingdon, Kingdon does not take such services into account when determining best execution or when selecting the broker-dealer.

Kingdon has established a Brokerage Committee that meets quarterly and oversees Kingdon's brokerage relationships including, but not limited to, conducting an internal semi-annual broker vote and allocating brokerage commissions. Potential trade errors are also reviewed and discussed by the Brokerage Committee on an as-needed basis.

Research and Other Soft Dollar Benefits

Kingdon will limit the use of "soft dollars" to obtain services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934. Research services within Section 28(e) that Kingdon may receive include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio investments and strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; advice from industry professionals, lawyers, tax professionals and accountants regarding actual and potential investments; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

In some instances, Kingdon may receive a product or service that may be used only partially for functions within Section 28(e) (e.g., an order management system, trade analytical software or proxy services). In such instances, Kingdon will make a good faith effort to determine the relative proportion of the product or service used to assist Kingdon in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting Kingdon in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by Kingdon from its own resources.

Research and brokerage services obtained by the use of commissions arising from a Fund's portfolio transactions may be used by Kingdon in its other investment activities on behalf of another Fund, and thus, a Fund may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided. Therefore, the availability of "soft dollars" from certain brokers presents Kingdon with a conflict of interest and may provide incentives for Kingdon to use the services of certain brokers regardless of whether it is in the best interests of a particular Fund.

Although Kingdon will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate allocation in the case of "mixed use" products or services creates a potential conflict of interest between Kingdon and its Funds.

Kingdon has entered into Commission Sharing Arrangements ("CSA") for third-party research in order to support its best execution obligations. In this regard, Kingdon may direct a particular executing broker-dealer to allocate a portion of its commission to a research provider, either directly or through a CSA pool to be paid at a later time.

Kingdon does not direct brokerage to particular broker dealers solely in return for soft dollar benefits.

Brokerage for Client Referrals

Kingdon may select a broker-dealer that refers investors to a Fund or refers agents or employees to Kingdon, although Kingdon does not consider referrals in seeking to achieve the best execution for a Fund.

Directed Brokerage

Kingdon determines the selection of particular broker-dealers for securities transactions of the Funds subject to Kingdon's policy to seek best execution for such transactions. Kingdon does not recommend, request or require that a Fund direct it to execute transactions through a specified broker-dealer, nor does Kingdon permit a Fund to direct brokerage.

Aggregation of Client Orders

When Kingdon deems the purchase or sale of securities to be in the best interest of more than one Fund, Kingdon may, but is not obligated to, aggregate the securities to be purchased or sold. Combining purchase or sale orders in this manner may result in superior execution and/or lower brokerage expenses; however, it may also decrease the prices received or increase the prices required to be paid for the securities sold or purchased. In such event, including in instances where there is a limited supply of an investment opportunity or a limited ability to realize upon an investment under favorable circumstances, allocation of the securities purchased or sold, as well as expenses incurred in the transaction, shall generally be made pro rata based on assets under management or in such other manner which Kingdon considers to be fair and equitable (which may include procedures that would allocate positions below a de minimis size solely to a specific Funds or that would rotate investment opportunities to a certain Fund). Please refer to Item 11 for a more detailed discussion of the allocation of investment opportunities.

Item 13 Review of Accounts

The Executive Committee is responsible for reviewing each Fund's portfolio on a regular basis. The Executive Committee meets weekly and has responsibility for determining overall exposure for the Funds, allocating capital and managing overall and individual sector risk. Each sector head is responsible for reviewing their positions and exposures on a daily basis.

Kingdon has established a Valuation Committee that meets, generally, on a monthly basis, whether in person, via conference call or through electronic mail, to review valuations of certain investments of the Funds according to Kingdon's valuation procedures. The valuation procedures are not absolute limitations or restrictions and are

subject to change by Kingdon, in its sole and absolute discretion, at any time without prior approval or prior written notice to investors.

Investors in the Funds receive written unaudited statements of capital accounts monthly, letters regarding performance at least quarterly and audited year-end financial statements annually.

Item 14 Client Referrals and Other Compensation

Kingdon does not participate in arrangements with non-clients that result in Kingdon receiving an economic benefit for providing investment advice or other services to its clients.

Neither Kingdon nor its related persons compensate any person for client referrals. Effective September 23, 2013, Kingdon has entered into an arrangement with a non-client entity (the “Marketer”) pursuant to which the Marketer provides distribution and marketing services in Japan for Kingdon, with respect to M. Kingdon Offshore, Ltd. and Kingdon Credit Ltd. For these distribution and marketing services, the Marketer is paid a flat retainer fee for the first twelve months from the date of the agreement and also an ongoing fee based on a percentage of the subscriptions made by investors introduced by the Marketer. We have also engaged local agents in certain jurisdictions outside of the United States largely in satisfaction of local regulatory requirements related to investors in a Fund in those jurisdictions.

Item 15 Custody

Kingdon is deemed to have custody, as defined in Rule 206(4)-2 under the Advisers Act, of funds or securities of the Funds. Kingdon relies on the “audit exemption” in Rule 206(4)-2(b)(4) under the Advisers Act, which exempts an adviser to a limited partnership, limited liability company or other pooled investment vehicle from the requirement to deliver account statements to its clients if the adviser requires the vehicle to be audited annually by an independent public accountant that is registered with the Public Company Accounting Oversight Board and distributes the audited financial statements annually to the investors in the vehicle.

Kingdon is not deemed to have custody of the Managed Account assets.

Item 16 Investment Discretion

Kingdon has discretionary authority to manage the securities accounts of each Fund under the governing documents of the Fund and/or relevant investment management agreements, which customarily do not place limitations on Kingdon’s authority to manage the Fund. The authority is given to Kingdon through each Fund’s governing documents and/or relevant investment management agreements and may include a power of attorney and appointment for Kingdon to act as an agent for the Funds.

Kingdon’s discretionary authority with respect to the Managed Account is subject to the investment guidelines or restrictions as set out in the Managed Account’s offering documents or investment management agreement.

Item 17 Voting Client Securities

Kingdon generally has the authority to vote client securities. In accordance with Rule 206(4)-6 under the Advisers Act, Kingdon has adopted and implemented written policies and procedures for voting client proxies it receives. Kingdon’s general policy is to vote or abstain from voting proxy proposals, amendments, consents, or resolutions related to client portfolio securities (collectively, “proxies”), in a manner that serves the best interests of its Funds.

In order to facilitate the proxy voting process, Kingdon has engaged an independent proxy voting service (the “Proxy Service”) to vote proxies for the Funds on Kingdon’s behalf. The Proxy Service allows Kingdon to vote for the Funds according to the guidelines set out by the Proxy Service. The Proxy Service automatically casts votes for Kingdon, on each Fund’s behalf, in accordance with the voting guidelines. On an annual basis, Kingdon reviews the Proxy Service’s proxy voting guidelines and reviews reports indicating how individual votes have been cast.

While it is Kingdon's policy to generally follow the guidelines, Kingdon retains the right, on any specific proxy, to vote differently from the guidelines, if Kingdon believes it is in the best interests of a Fund. Any such exceptions will be reviewed and documented.

Kingdon will maintain records for each matter relating to a portfolio security with respect to which a Fund was entitled to vote.

A copy of Kingdon's proxy voting policies and its voting record will be provided to clients upon request.

Item 18 Financial Information

Kingdon does not require the payment of fees or other compensation six months or more in advance. There exists no financial condition of which Kingdon is currently aware that would impair Kingdon's ability to meet contractual commitments to its clients. Kingdon has not been the subject of a bankruptcy petition within the past 10 years.