

**Part 2A of Form ADV: Firm Brochure**

**Item 1 Cover Page**

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**This brochure provides information about the qualifications and business practices of Havens Advisors, L.L.C. If you have any questions about the contents of this brochure, please contact us at (212) 355-0050 and/or [egreenspan@havenspartners.com](mailto:egreenspan@havenspartners.com). 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.**

**Additional information about Havens Advisors, L.L.C. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Any reference to Havens Advisors, L.L.C. as a “registered investment adviser” or as being “registered,” does not imply a certain level of skill or training.**

**Item 2 Material Changes**

There have been no material changes to the Form ADV, Part 2A of Havens Advisors, L.L.C. (“we” or “us”) since March 31, 2015, the date of our last annual Form ADV, Part 2A.

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**Item 4 Advisory Business**

We are a Delaware limited liability company that was formed in October 1995. We and Havens Associates, L.L.C. (“Havens Associates”) are controlled by Nancy Havens-Hasty (the “Managing Member”).

We provide discretionary investment advice with respect to the following:

- We provide discretionary investment advice to the following private investment funds (collectively, the “Private Funds”): (i) Havens International Investors, Ltd. (“HII”); (ii) Havens International Enhanced Fund, Ltd. (“HIEF”); (iii) Havens Master Fund, Ltd. (“HMF”); (iv) Havens Enhanced Master Fund, Ltd. (“HEMF,” and together with HII, HIEF and HMF, the “Offshore Private Funds”); (v) Havens Partners Enhanced Fund, L.P. (“HPEF”); and (vi) Havens Partners, L.P. (“HP,” and together with HPEF, the “Domestic Private Funds”). HII and HP are feeder funds which invest through HMF. HIEF and HPEF are feeder funds which invest through HEMF. Havens Associates serves as the general partner to each of the Domestic Private Funds.
- We provide discretionary investment advice to a private investment fund through a separately managed account arrangement, referred to herein as a separately managed account.
- We provide discretionary investment advice as a sub-advisor to registered investment companies, referred to herein as registered investment companies.

We generally invest and trade on behalf of our clients in a wide variety of securities and financial instruments, domestic and foreign, of all kinds and descriptions.

We generally do not permit investors in the Private Funds to impose limitations on the investment activities described in the offering documents for the Private Funds. Under certain circumstances, we will contract with a client to adhere to limited risk and/or operating guidelines imposed by the client. We negotiate such arrangements on a case by case basis. (See Item 16 “Investment Discretion.”)

We do not participate in wrap fee programs.

As of December 31, 2015, we managed approximately \$170,698,378 of regulatory assets under management on a discretionary basis. This number is based on estimated and unaudited information as of such date and is therefore subject to change. We do not manage any assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

Our fees and compensation are described in the advisory contracts we enter into with our clients.

### *Private Funds*

HP pays us a quarterly management fee of 0.25% (1.0% on an annualized basis) of each limited partner’s beginning capital account for the applicable quarter. Such management fees are paid in advance on the first day of each calendar quarter and are appropriately pro rated for partial quarters. A pro rata portion of any such management fee paid in advance will be returned to any limited partner permitted to withdraw prior to the end of a quarter. HII pays us a fixed quarterly management fee paid as of the beginning of each fiscal quarter, equal to 0.25% (1.0% annualized) of the net asset value of each series of its class A shares as of the beginning of such quarter. The management fee will be appropriately pro rated for partial quarters. Investors in HII and HP are also subject to an annual performance-based allocation of up to 20% of aggregate net capital appreciation, subject to a high watermark.

We may, in our discretion, elect to reduce, waive or calculate differently these fees and allocations with respect to any of our employees, related persons, their employees and affiliates and certain family members thereof.

Our compensation schedules for HPEF and HIEF are contained in their respective confidential offering memoranda.

Management fees are generally deducted from the Private Funds quarterly in advance, and will be pro-rated if the advisory contract is cancelled prior to the end of a payment period. Generally, we or our affiliates receive performance-based fees or allocations from the Private Funds on an annual basis in arrears and upon redemptions by investors in the Private Funds.

### *Separately Managed Account*

Our compensation schedule with respect to the separately managed account is contained in the investment advisory agreement relating to such account. Management fees are generally payable from the separately managed account quarterly in advance, and a pro-rated portion will be refunded if the investment advisory agreement is cancelled prior to the end of the quarter.

Generally, we or our affiliates receive performance-based fees from the separately managed account on an annual basis.

#### *Registered Investment Companies*

Our compensation schedule with respect to the registered investment companies is contained in their respective investment sub-advisory agreements. We receive a share of the management fees received by the adviser to the registered investment companies.

#### *Expenses Generally*

Our clients will generally be obligated to pay certain fees and expenses of or pertaining to the applicable client, which are described in detail in the respective investment advisory agreements.

These expenses may include, without limitation, investment expenses (e.g., brokerage commissions (*See Item 12 "Brokerage Practices" below*), interest expense, custodial fees, bank service fees, withholding and transfer fees and clearing and settlement charges), legal expenses, professional fees (including, without limitation, expenses of consultants and experts) relating to investments, taxes, accounting, audit and tax preparation expenses, our management fees, fees and disbursements of the administrator, offering expenses, costs of any regulatory filings (including any filings required by the European Alternative Investment Fund Managers Directive and preparing and filing of Form PF), corporate licensing fees, directors' fees, other similar expenses and any extraordinary expenses.

We may, to the extent permitted by our advisory agreements and applicable law, also allocate a portion of certain clients' capital to money market funds or private investment funds and accounts that are managed by other investment managers. In addition to the fees and expenses discussed above, our clients will indirectly incur similar fees and expenses if we invest their capital in such funds, as these funds in turn pay similar fees and expenses to their investment managers and other service providers.

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

We or our affiliates receive annual or quarterly performance-based fees or allocations from our client accounts, which are based on a percentage of the capital appreciation of their assets.

The terms of the performance-based fees and allocations may differ among our client accounts. This may result in a conflict of interest when we allocate opportunities among these accounts because we will have an incentive to favor accounts that have higher performance-based fees and allocations. To avoid such a conflict of interest, we generally follow documented procedures in allocating opportunities among such accounts, which does not take into account the performance-based fees and allocations to which such accounts are subject (*see below*).

As the management fees and performance-based fees and allocations are based directly on the net asset value of the client accounts, we have a conflict of interest in valuing the assets held by the accounts. We will follow our documented valuation policies and consult with the third-party administrator to the accounts in order to mitigate this risk.

We may buy or sell securities for one client at the same time that we or our related persons buy or sell the same security for one or more other clients (including the Private Funds). This will typically happen when more than one client is capable of purchasing or selling a particular

security based on investment objectives, available cash and other factors. This may create a conflict of interest if one account may benefit from making the trade before or after the other account. We generally allocate investment opportunities so that each security held by the accounts we manage is held on a *pari passu* basis. In limited circumstances, we may allocate securities among client accounts on a different basis, in our discretion and in accordance with our established policies and procedures. In such cases, the factors that we may consider when determining which securities to allocate to each client account include, but are not limited to, the investment objectives and restrictions of each client account and applicable tax and regulatory considerations.

New issues (as defined by Rule 5130 of the Financial Industry Regulatory Authority, Inc.) are allocated to client accounts in accordance with the criteria set forth above.

## **Item 7 Types of Clients**

### *Private Funds and Separately Managed Account*

Investors in the Private Funds and separately managed account are generally institutional investors and high net worth individuals that qualify as “accredited investors” (as defined in Rule 501 under the Securities Act of 1933, as amended), and, for certain of these clients, as “qualified purchasers” (as defined under the 1940 Act). The minimum investment routinely required of investors in the Private Funds is generally \$500,000 for HII and \$1,000,000 for HP, HPEF and HIEF, which minimum may be waived. If we determine to require a minimum investment for any separately managed account, we will make that determination on a case by case basis.

### *Registered Investment Companies*

The qualifications for investors in the registered investment companies for which we serve as sub-advisor are set forth in their respective offering documents.

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

### *Private Funds – Methods of Analysis and Investment Strategies*

#### Investment Objective and Strategy

The Private Funds seek to achieve above-market rates of return, primarily by investing in “event-driven situations,” such as U.S. and non-U.S. merger arbitrage transactions (an investment approach designed to profit from the successful completion of proposed mergers, takeovers, tender offers, leveraged buyouts and spin-offs), and distressed credit and special situation credit investments, including reorganizations, bankruptcies, liquidations, capital structure arbitrage opportunities and debt securities of leveraged companies when there is a catalyst which is expected to result in price appreciation or depreciation. We believe that the returns from these types of investments are less influenced by general movements in the fixed income and equity markets than are more traditional investments. Generally, the Private Funds make passive investments, although they reserve the right to become active if we believe that substantial benefits will be achieved thereby.

Portfolio positions may include equity and equity-related securities, fixed income securities, including public and private bonds, notes, loans and mortgages and other asset-backed securities, other financial instruments and all forms of derivative instruments, including

options, swaps and forward agreements. While the Private Funds' investment programs focus principally on merger arbitrage, and on distressed and special situation credit investments, they are not limited to any particular area of investment and may, for example, trade in securities or other instruments which we believe are significantly undervalued or overvalued, including, without limitation, mortgage loans, corporate debt, equities and non-U.S. securities.

#### Types of Investments

*Merger Arbitrage.* Merger arbitrage is an investment discipline which involves the purchase and sale of publicly traded securities of companies that are involved in transactions such as mergers, tender offers, restructurings and liquidations. Profits are achieved through the successful completion of these extraordinary corporate transactions. The most common type of merger arbitrage activity involves the purchase of the securities of announced acquisition targets which generally trade at a discount to the value which will be received for the target company upon completion of the merger. The size of the discount is a function of numerous factors which, taken together, determine the probability and timing of the completion of the merger and the value of the consideration to be received upon completion. Such factors include, among other things, the likelihood that other parties may bid for the target, the effectiveness of defensive measures that may be taken in the event that the target is not interested in the proposed merger and the timing and probability of regulatory approvals. The Private Funds generally limit their merger arbitrage investments to situations that have been publicly announced, although they are permitted to invest in companies that are viewed as potential candidates for merger or acquisition. If we believe that there is a significant probability that a transaction may not be completed or that the size of the discount does not offer adequate compensation for the perceived risks, the Private Funds may establish reversed positions, *e.g.*, they may sell short securities of the target company.

*Distressed and Bankrupt Situations.* We invest in all types of securities and other instruments of entities that are experiencing financial distress and have a catalyst which is expected to result in price appreciation or depreciation. Typical companies in which the Private Funds invest include companies that are candidates for restructuring, recapitalization or liquidation and companies that are currently experiencing operating difficulties, but that are likely to experience significant earnings and cash flow improvement in the near future. Such securities may include, without limitation, first and second lien bank debt, public and private bonds, notes, loans, convertible bonds, mortgages and other asset-backed securities, municipal bonds, equipment lease and equipment trust certificates, commercial paper and other money market instruments, trade claims, preferred stock, warrants, equities and securities issued by troubled non-U.S. issuers, including non-U.S. governments. The Private Funds also evaluate the short sale of securities either for the purpose of reducing risk or because we believe that such securities are overvalued and have a high probability of declining in value.

The Private Funds may engage in debtor-in-possession ("DIP") lending, which is a form of financing that is generally used to fund working capital and other needs of the debtor during the pendency of the Chapter 11 proceeding. The Bankruptcy Court is permitted to grant and usually does award a super-priority lien with respect to such loans, which means that to the extent determined by the Bankruptcy Court, the DIP lender's claims will be satisfied in full before other types of claims are paid. Additionally, borrowing rates on DIP financings tend to be relatively high.

### Other Investments

*Investment Grade and Non-Investment Grade Fixed Income Securities.* The Private Funds invest in investment grade and non-investment grade fixed income securities, including corporate bonds and bonds and/or notes issued by state or local governments, or agencies thereof.

*Non-U.S. Investments.* The Private Funds may invest in securities and other instruments in non-U.S. markets. We will generally seek to hedge against currency exchange risk exposure related to such investments.

*Sub-Advisors.* We may retain, from time to time, sub-advisors to manage, on a discretionary basis, discrete portions of the Private Funds' assets through sub-advisory relationships. We will enter into such relationships if we believe that the use of sub-advisors might enable the Private Funds to enhance performance by expanding the investment expertise available to the Private Funds. Although various levels of discretion may be given to such sub-advisors, we remain fully responsible for monitoring the sub-advisors' positions in the Private Funds' portfolio and for managing risk. No more than 6% of HII's or HP's net assets or 10% of HIEF's or HPEF's net assets, in each case determined at the time the allocation to the sub-advisor is made, will be allocated to sub-advisors.

*Positions Other than Event-Driven Situations.* The Private Funds may invest a portion of their portfolios in trading positions that are not event-driven situations. The Private Funds do not intend to maintain a significant portion of their capital in such positions. However, the portion so invested will fluctuate from time to time.

*Use of Excess Funds.* The Private Funds generally will receive interest on any excess funds from their prime brokers but they may also invest excess funds in U.S. Government securities, money market funds, and higher rated, liquid investment grade and non-investment grade instruments.

### Leverage

The Private Funds may leverage their capital, generally through the use of margin lending arrangements, and may additionally leverage their investment returns through the use of options, swaps, forwards and other derivative instruments. Gains made with borrowed funds generally cause the Private Funds' portfolios to appreciate faster than could be the case without borrowings. Conversely, if securities purchased with such borrowings decline in market value, or do not appreciate sufficiently to cover the cost of borrowing, the Private Funds' portfolios decrease in value faster than if there had been no borrowings. In the case of HMF, the Private Fund's total indebtedness at the time such indebtedness is incurred or renewed will generally not exceed 150% of the Private Fund's net assets. The leverage exposure of HEMF with respect to any investment (long or short), on any date of determination, will generally be at most 175% of the exposure of HMF.

### Risk Management

The Private Funds expect to engage in a number of techniques designed to reduce the risk of investments. The Private Funds may also utilize these techniques to attempt to hedge against interest rate risk which can impact the value of fixed income securities held by the Private Funds. Such techniques include, among other things, the use of short sales, the purchase and

sale of put and call option contracts and the use of other derivative instruments such as swaps and forward agreements. Although the Private Funds do not currently trade futures, they have the right to do so, subject to any applicable requirements of the U.S. Commodity Futures Trading Commission.

The Private Funds do not have fixed quantitative position limits for diversification; however, not more than 10% of HMF's net assets or 17.5% of HEMF's net assets, in each case at the time of purchase, will generally be invested in the securities of any one issuer in the case of the target companies in merger arbitrage transactions and not more than 5% of HMF's net assets or 8.75% of HEMF's net assets, in each case at the time of purchase, will generally be invested in the fixed income securities of a given issuer (other than U.S. Government securities and other money market instruments).

**The descriptions contained above of specific strategies that are or may be engaged in by the Private Funds should not be understood as in any way limiting the Private Funds' investment activities. The Private Funds may engage in investment strategies not described above that we consider appropriate.**

*Separately Managed Account and Registered Investment Companies – Methods of Analysis and Investment Strategies*

We are subject to certain investment strategies, guidelines and/or restrictions with respect to the separately managed account and the registered investment companies for which we serve as sub-advisor, which may differ from the summaries set forth in this Item 8. Such clients are advised to refer to their advisory contracts with us for details concerning their particular investment.

**Investing in securities involves risk of loss that clients and investors should be prepared to bear.**

Certain Risks Factors

An investment in the Private Funds or other account managed by us is speculative and involves a high degree of risk. The Private Funds have substantial limitations on investors' ability to redeem or transfer their interests in the Private Funds, and no secondary market for the Private Funds' interests exists or is expected to develop. In managing our client accounts, we may utilize investment techniques, including short selling, the use of leverage and trading in derivatives, that involve significant risks. All of these risks, and other important risks, are described in detail in our clients' respective confidential private offering memoranda or advisory agreements. Prospective investors are strongly urged to review the applicable confidential private offering memorandum or advisory agreement carefully and consult with their own financial, legal and tax advisors, before investing in a fund that we manage or appointing us to manage a client account.

**Item 9 Disciplinary Information**

*Not applicable.*

**Item 10 Other Financial Industry Activities and Affiliations**

Management of Multiple Accounts



The management of multiple pooled investment vehicles may result in conflicts of interests when we and our related persons allocate our time and investment opportunities among the client accounts that we manage. In addition, the compensation earned by us and our related persons from each of the Private Funds may differ from one another and other clients. We and our related persons will generally follow documented procedures in allocating trades among the client accounts that we manage (*see Item 6 above*).

As noted above, Havens Associates serves as the general partner to each of the Domestic Private Funds.

Subject to applicable law, we may effect transactions (generally for rebalancing purposes) among client accounts (including the Private Funds) in which one client account will purchase securities from or sell or participate securities to another client account (including client accounts in which we or our related persons may have a significant interest). This may result in a conflict of interest because a potential transaction may result in benefits to one transacting party that may be greater than the benefits to the other transacting party. In order to mitigate such conflicts, we effect such transactions only when we believe that such transactions are in the best interests of the applicable clients. In the event that a client account purchases securities from, or sells securities to, another client account, such transactions shall generally be effected for cash consideration at the closing price of the particular security, and no brokerage commission or transfer fee shall be paid to us or our related persons in connection with any such transaction.

In addition, except for cross trades to correct misallocations of trades among client accounts and for cross trades that are exempt from the prohibited transaction rules under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Internal Revenue Code of 1986, as amended (the “Code”), as provided by the Pension Protection Act of 2006, we will not effect any cross trades on behalf of any client account that constitute “plan assets” under ERISA or the Code.

Our Managing Member and/or other related persons may have a greater portion of their personal assets invested in certain of the investment funds we manage than in the others. As a result, we may have a conflict of interest in allocating investment opportunities among such investment funds. We will generally follow documented procedures in allocating trades among such investment funds. (*See Item 6 above.*)

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

### Code of Ethics Overview

We have adopted a Code of Ethics (the “Code of Ethics”) which is designed to ensure that we conduct our business in accordance with all applicable laws and regulations and in an ethical and professional manner. The Code of Ethics applies to all of our employees. In addition, we recognize that we have a fiduciary duty to our clients and that all of our employees must conduct their business on our behalf in a manner that enables us to fulfill this fiduciary duty. In this regard, we have developed policies and procedures in our Code of Ethics that are premised on fundamental principles of honesty, good faith and fair dealing with investors, employees and other constituents. In addition, among other things, our Code of Ethics governs all personal securities transactions by our employees (as further described below), our policies with respect to gifts and entertainment, compliance with applicable federal securities laws, the manner in which violations of our Code of Ethics are to be reported, and certain other outside activities of our

employees. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

#### Participation or Interest in Client Transactions

We make available to qualified prospective investors the opportunity to invest in the investment funds we manage. Our Managing Member and other management persons have significant personal investments in such funds. In addition, we and our affiliates receive performance-based fees and allocations from such funds.

Subject to applicable law, we may effect transactions between client accounts (generally for rebalancing purposes) whereby one client account will purchase securities from or sell or participate securities to another client account (*see Item 10 above*).

In the event that we effect a cross trade between an account in which we or our controlling persons own more than twenty five percent (25%) and another client account, such transaction may be deemed to be a principal transaction under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Such transactions may create a conflict of interest for us because we may put our or our control persons’ interests in such accounts before the interests of our clients in the other account. In order to mitigate this conflict of interest, we monitor the interests of our control persons, their immediate family members and their affiliates in our client accounts, and we will not effect any cross trades between accounts if we believe that such trade would result in a principal transaction unless:

- (a) We believe that such transaction is in the best interest of the clients participating in the transaction; and
- (b) We obtain the consent of the applicable clients as required by the Advisers Act.

#### Personal Securities Trading

We strongly discourage our employees from engaging in any short-term trading, or trading on margin, trading commodities, futures, derivatives or other volatile securities or financial instruments. We regularly make available on our computer network to all employees a list of all companies whose securities (or derivatives thereof) are part of the portfolio of any of our client accounts or about which we are in possession of material, non-public information.

Employees generally may not trade single name equity or debt securities for their personal accounts without the prior written consent of our Chief Compliance Officer (“CCO”). Our CCO will not consent to any personal securities transaction if she believes that a position proposed to be taken by an employee (or an employee’s account) is likely to fall within our clients’ investment programs. In the event that we determine to invest on behalf of a client account in a security held by an employee or an account controlled by an employee, the employee must immediately close out of the entire position or must hold the entire position until we sell the position on behalf of the account.

Notwithstanding the foregoing, members of Havens Associates (including our CCO) may not engage in personal securities transactions (with or without prior consent), except: (i) through the private investment funds we manage; (ii) through managed accounts over which such persons do not have discretion; (iii) in highly rated fixed income instruments; or (iv) through investments in mutual funds.

Employees may not, directly or indirectly, acquire beneficial ownership in any security in an initial public offering or in a limited offering (*i.e.*, a private placement) without the prior written consent of our CCO (or, in her absence, her designee). Our CCO may not acquire any such security.

This policy applies to family members of an employee living in the employee's household (*e.g.*, spouse, domestic partner, siblings, parents and children) and to any account over which the employee exercises investment discretion.

## **Item 12 Brokerage Practices**

### Selection of Brokers

We seek to obtain the best execution in portfolio transactions for clients' accounts, taking into account the following factors: price; the ability to effect the transactions; the brokers' facilities; reliability and financial responsibility; and the provision or payment of the costs of brokerage or research products or services.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. We will not commit to provide any level of brokerage business to any broker, and actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above.

On a quarterly or more frequent basis, our Managing Member and one or more traders and portfolio managers evaluate the execution performance of the broker-dealers we use to execute client transactions. Such group also evaluates, and seeks to resolve, any conflicts of interest that we may have in selecting brokers to execute client transactions. We maintain an approved broker list and document the rationale for adding brokers to, or removing brokers from, such list.

### Research and Other Soft Dollar Benefits

We enter into soft dollar arrangements with brokers. Soft dollar arrangements arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing client securities transactions to the broker. Soft dollar arrangements pose a conflict of interest for us in that such arrangements allow us to use client brokerage commissions to pay for expenses that might otherwise be borne by us. When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for such research, products or services. We believe that this conflict is mitigated because our clients will generally pay for research as a "hard dollar" expense pursuant to their respective investment management agreements.

In addition, we may have an incentive to select a broker based on our interest in receiving the research or other products or services offered by such broker, rather than on our clients' interests in receiving most favorable execution. We believe that this conflict is mitigated because of our duty to seek best execution when selecting brokers for execution of transactions.

When engaging in soft dollar transactions, we comply with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under this provision, in exercising our discretionary authority to select or arrange for the selection of brokers for

execution of transactions for our clients, and, subject to our duty to obtain best execution, we may consider the value of research and brokerage products and services (collectively, "Research") provided by such brokers. Research may include, among other things, proprietary research from brokers, which may be written or oral. Research products may include, among other things, databases and quotation services. Research services may include, among other things, research concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, pricing data and availability of securities, financial publications, electronic market quotations, performance measurement services, analyses concerning specific securities, companies, industries or sectors, market, economic and financial studies and forecasts, appraisal services, and invitations to attend conferences or meetings with management or industry consultants. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, a client may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research provided by such brokers may be used to service all client accounts and not exclusively in connection with the management of the client account that generated the particular soft dollar credits.

Where a product or service obtained with client brokerage commission dollars provides both research and non-research assistance to us, we will make a reasonable allocation of the cost which may be paid for with client commission dollars.

We execute securities transactions on behalf of client accounts with broker-dealers that provide us with access to proprietary research reports. To our knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to us on an unsolicited basis and without regard to the rates of commissions charged or paid by client accounts or the volume of business that we direct to such broker-dealers.

During our last fiscal year, we acquired with client brokerage commissions (or markups or markdowns): (i) research, such as proprietary research from brokers, which may have been written and/or oral; (ii) research products, such as quotation services; and (iii) research services, such as research concerning market, economic and financial data; a particular aspect of economics or on the economy in general; statistical information; pricing data and availability of securities; financial publications; electronic crossing networks; performance measurement services; analyses concerning specific securities, companies, industries or sectors; market, economic and financial studies and forecasts; and invitations to attend conferences or meetings with management or industry consultants.

During our last fiscal year, we have taken into account the quality, comprehensiveness and frequency of available research services and products considered to be of value provided by brokers when directing client transactions to a particular broker. We directed transactions to such brokers only consistent with best execution, in accordance with our duty to do so, as described above.

#### Services From Prime Brokers

Our prime brokers may provide us with front and back office services, including trading, securities lending, clearing, reporting, and settlement for equities, fixed income, foreign currency

and options, among others. Subject to applicable law, our prime brokers may also provide us with capital introduction services.

#### Brokerage for Client Referrals

In selecting or recommending broker-dealers, we do not consider whether we or our related persons receive investor referrals from a broker-dealer or third party. However, our prime brokers may provide us with capital introduction services. Because such services, if any, are likely to benefit us but will provide an insignificant (if any) benefit to our clients, we have a conflict of interest with our clients when allocating client brokerage business to a broker that has referred investors to us. We believe that this conflict is avoided because we will not allocate client brokerage business to a referring broker unless we determine in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to the client account.

#### Trade Error Policy

Subject to applicable law, we will reimburse the applicable Private Fund or client account for net losses that occur as a result of trade errors to the extent that we are required to do so under the governing agreements for such Private Fund or under the advisory contract for such client.

We may correct misallocations of trades among client accounts by re-allocating the applicable trade using the intended allocation methodology prior to the trade's settlement date. If an erroneous allocation cannot be corrected prior to or after settlement, we may, if appropriate and subject to applicable law, correct such erroneous allocation by effecting a cross trade between client accounts at the price at which the initial trade was effected.

#### Aggregation of Orders

We will generally aggregate client trades, subject to best execution. Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for us generally arise when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. In such event, securities purchased or sold will generally be allocated among client accounts on an average price basis. When an aggregated order is only partially filled, we will allocate the investment opportunity as described in Item 11 above.

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

#### Portfolio Review

Client portfolios are reviewed daily, and their performance analyzed, by our investment professionals, including, but not limited to, our Managing Member and one or more traders and/or portfolio managers. Client portfolios are also reviewed by our CCO to monitor compliance with the applicable trading mandate and any applicable risk and/or operating guidelines. Our CCO is also involved in the review of trading activity and account allocations. Client investments are evaluated based on regulatory concerns, company fundamentals, news and press releases, analyst reports, general market conditions and such other considerations as we deem appropriate.

### Reports to Investors

In addition to the information and reports described below, investors may be provided with information (including position level information) about us and the Private Funds and/or other clients in response to questions and requests, and/or in connection with due diligence meetings and other communications, but such information will not be distributed to other investors and prospective investors who do not request such information. Each investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by us is sufficient for its needs.

#### *Private Funds*

We furnish investors in the Private Funds with written unaudited performance reports, or cause such reports to be furnished, on a monthly basis. On an annual basis, investors receive a copy of the relevant Private Fund's annual audited financial statements and, where applicable, a statement of taxable income (form K-1).

#### *Separately Managed Account*

We provide the owner of the separately managed account we manage with periodic unaudited reports at such times as the owner of such account and we agree. The owner of such account receives account statements from the account's custodian on such periodic basis as is agreed to between such owner and custodian. In addition, since a managed account investor directly owns the positions in its separately managed account, such investor may have full, real-time transparency as to all transactions and holdings in such account, and may be better able to assess the future prospects of a portfolio that is substantially similar to the portfolios of the Funds. The investor in such separately managed account may have the right to withdraw all or a portion of its capital from such managed account on shorter notice and/or with more frequency than the terms applicable to an investment in the Funds.

#### *Registered Investment Companies*

We furnish reports to the registered investment companies for which we are a sub-advisor as agreed to in the respective investment sub-advisory agreement.

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

We enter into soft dollar arrangements with brokers pursuant to which we obtain certain research and brokerage products and services in return for directing a client's securities transactions to the broker (*see Item 12 above*).

We may enter into arrangements with one or more third parties that we will compensate for referring investors to us. Typically, we will pay these third parties a portion of the management fees and/or performance based compensation that we receive from the investors introduced to us by those third parties. Any such arrangements will be on a fully-disclosed basis and in accordance with all applicable laws.

**Item 15 Custody**

For purposes of Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), we are deemed to have custody over the Private Funds’ assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Private Funds their respective investors because annual audited financial statements are delivered to investors within 120 days after the end of each Private Fund’s fiscal year. Investors should carefully review such audited financial statements.

**Item 16 Investment Discretion**

We and our affiliated investment advisory entities have discretionary authority to manage securities accounts on behalf of our clients. The investors in the Private Funds generally may not place any limits on our authority beyond the limitations set forth in their respective offering and governing documents. On a case by case basis, the owner of the separately managed account we manage and the registered investment companies which have engaged us as a sub-advisor may negotiate certain risk and/or operating guidelines that we will adhere to when exercising our discretionary authority over such accounts.

**Item 17 Voting Client Securities**

We have voting discretion over securities held by the Private Funds and held in at least some of our clients’ accounts, and we will exercise that discretion in accordance with its proxy voting policies and procedures. We will vote proxies in accordance with our fiduciary duties to each client.

Our Proxy Coordinator (“Proxy Coordinator”) will be responsible for determining how to vote each proxy.

If our Proxy Coordinator deems that the issue being voted upon is not material for us and our clients, we will not be obligated to vote on such matter. Otherwise, in the absence of specific voting guidelines from the client or conflicts of interest, we will vote all proxies in the manner that our Proxy Coordinator determines is in the best interests of each client account. Our Proxy Coordinator may take into account the following factors, among others, in determining if a specific proposal is in the best interests of a particular client:

- (a) management of the issuer’s views and recommendations on such proposal; and
- (b) whether the proposal may have the effect of entrenching existing management and/or making management less responsive to shareholders’ concerns (*e.g.*, instituting or removing a poison pill, classified board of directors and/or other anti-takeover measure).

Our Proxy Coordinator will attempt to identify any conflicts of interest between us and our clients with respect to any proxy statements received by us. If our Proxy Coordinator believes that a material conflict of interest exists between us and any of our clients, she will do the following:

- (a) in the case of managed account clients, either (i) have us disclose the conflict to the affected clients and give such clients the opportunity to vote their securities themselves, or (ii) rely exclusively in making her voting decision on the

recommendation of an independent third party who is experienced in advising investment managers regarding proxy voting decisions; and

- (b) in the case of the Funds, rely exclusively in making her voting decision on the recommendation of an independent third party who is experienced in advising investment managers regarding proxy voting decisions.

Special considerations may apply in cases of conflicts of interest involving ERISA clients.

A client may obtain information about how we voted securities owned by such client. Our clients may also contact us via e-mail or telephone to request a copy of our proxy voting policies and procedures.

**Item 18 Financial Information**

*Not applicable.*

**Item 19 Requirements for State-Registered Advisers**

*Not applicable.*