



Strictly Confidential

Item 1 – Cover Page

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**SEAPORT GLOBAL ASSET MANAGEMENT LLC**  
**Part 2A of Form ADV**  
**Firm Brochure**  
**November 2018**

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This brochure (this “Brochure”) provides information about the qualifications and business practices of Seaport Global Asset Management LLC (“SGAM” or the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration with the SEC does not imply that SGAM or its employees possess a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Our oral and written communications are intended to provide you with information which you may use to determine to hire or retain us to provide investment advice.

If you have any questions about the contents of this brochure, please contact Michael Ring at (212) 616-7700 or by email at [mrings@seaportglobalam.com](mailto:mrings@seaportglobalam.com).

Additional information about SGAM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

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This is the initial brochure filing of Form ADV Part 2A. Unless otherwise noted, all information herein is given as of October 31, 2018. In the future we will use this section, Item 2, to report any material changes. Clients and prospective clients should read this Brochure carefully in its entirety.

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#### Item 4 – Advisory Business

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Seaport Global Asset Management LLC (“**SGAM**”, the “**Adviser**”, “**we**”, “**us**” or “**our**”) is a Delaware limited liability company which was formed in August 2017 with the primary purpose of providing investment advisory services. Adviser and its affiliated entities, provide both discretionary and non-discretionary investment advisory services to U.S. and non-U.S. clients (collectively, “**Clients**”), including sponsored and non-sponsored private investment funds (“**Funds**”), separately managed accounts (each a “**Separately Managed Account**” or “**SMA**”) special purpose entities (each a “**Special Purpose Entity**” or “**SPE**”), institutional investors, investment entities, family offices, corporations and pension and profit sharing plans. Seaport Global Asset Management LLC is a wholly owned subsidiary of Seaport Global Holdings LLC (“**SGH**”).

Adviser and its affiliated entities provide advice to Clients based on their specific investment objectives and strategies as set forth in the offering memorandum and governing documents of each Fund, and the investment management agreement between Adviser and/or its affiliated entities and each Separately Managed Account Client and each Special Purpose Entity Client (collectively the “**Offering Documents**” or “**Governing Documents**”).

Generally, investors in any of the Advisers and/or affiliated entities sponsored Funds do not have the ability to individually tailor their investments or impose specific investment restrictions. However, when deemed appropriate, a Fund may create a special class of interests or shares to accommodate a particular investor, or a group of investors, unique investment restrictions.

Adviser and/or an affiliated entity may enter into letter agreements or other similar agreements (collectively, “**Side Letters**”) with one or more Clients which provide such Clients with additional and/or different rights (including, without limitation, with respect to management and performance fees, performance allocations, minimum investment amounts, access to information, investment portfolios, and liquidity terms) than other investors. Adviser and/or its affiliates or the Funds will not be required to notify any or all of the other investors of any such classes or Side Letters or any of the rights and/or terms of provisions thereof, nor will Adviser, its affiliates or the Funds be required to offer such additional and/or different rights and/or terms to any or all of the other Clients.

We provide discretionary and nondiscretionary investment advisory services to the Adviser’s Clients, directly and/or through certain affiliated entities that were established for operational, legal and other purposes. Affiliates have been identified in Item 10 hereof. The Adviser and its affiliates intend to conduct their activities in accordance with the Advisers Act and the rules thereunder. Employees of the Adviser and any other persons acting on their behalf are subject to the supervision and control of Adviser or its affiliates, as applicable.

The advisory relationship between each Client and Adviser is governed by their respective Governing Documents. The investment objectives, fee arrangements and terms of Separately Managed Accounts and Special Purpose Entities are individually negotiated by Adviser and/or an affiliated entity and each SMA and each SPE Client. However, note that certain limited partners negotiate terms (including Management Fees payable to the Adviser and carried interest payable

to applicable general partners) through the negotiation of the limited partnership agreement, side letters or similar documents.

We offer Clients the ability to customize their SMA mandates as described in the investment program of the relevant Client's Governing Documents. Clients may impose investment restrictions based on their individual investment objectives. For example, some Clients may impose restrictions on regional or instrument types, or choose to invest only on a long-only basis, while other Clients will permit short selling or use of leverage.

From time-to-time, we may structure, and we or one of our affiliates may serve as the manager and/or general partner to a SPE through which the Client, Funds and/or the SMA Clients may invest in one or more particular investment opportunities (each, a "Special Purpose Entity"). These Special Purpose Entities are pass-through entities from which we receive no management fees, performance fees or other economic benefit in connection with the acquisition of the particular investment opportunity or opportunities.

This Brochure generally includes information about Adviser and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only. This Brochure does not contain all of the terms and conditions related to an investment in a Fund, SPE or SMA, or all of the risks associated with any such investment, and certain of the information contained herein is in summary form. As a result, prior to any investment in any Fund, SPE or SMA, all prospective investors should carefully review the Governing Documents for such Fund, SPE or SMA.

This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities are generally offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Investors in the Funds generally must be both "accredited investors", as defined in Regulation D, and "qualified purchasers", as defined in the Investment Company Act of 1940, as amended (the "1940 Act"). Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.

Adviser does not participate in wrap fee programs.

Please refer to Item 8 for a more detailed description of Adviser's investment strategies as well as the securities and other instruments purchased by Clients under the management of Adviser.

Persons reviewing this Brochure should not construe this as an offering of securities or a solicitation to purchase shares in any of the Funds described herein, which will only be made pursuant to the delivery of a private placement memorandum to eligible investors. These Funds, as well as SMA's and SME's managed directly by Adviser, will provide for Governing Documents between the Client and Adviser detailing the types of investments that may be purchased/sold, whether the Client may use leverage and to what extent, and whether short-selling is permitted.

As of October 31, 2018 Adviser had approximately \$126 million of regulatory assets under management on a discretionary basis and \$43 million of regulatory assets under management on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

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The fees applicable to each Client are set forth in detail in each Client's Governing Documents. A brief summary of such fees is provided below.

### **Management Fee**

Adviser and/or an affiliated entity receives an annual management fee ("**Management Fee**") from the Funds, calculated and payable quarterly in advance, at a quarterly rate of 0.375% (1.50% per annum) of the net asset value of the relevant shares or interests in each Fund on the first day of such quarter.

Generally SMA's and SPE's pay a Management Fee which is based on a percentage of assets under management. We typically negotiate the annual management fees charged for the management of each SMA and SPE, which will vary, but generally range from 0.00% to 1.00% per annum of the net asset value of the SMA and SPE. Fees are typically calculated and payable quarterly in advance on the first day of the quarter, unless otherwise agreed upon in each SMA's and SPE's Governing Documents, and in some cases we charge a monthly management fee calculated and accrued daily, and payable monthly in arrears.

Withdrawing investors from a Fund, or Clients that terminate investment advisory services before the end of a billing period, are generally refunded any prepaid unearned Management Fees in excess of those applicable to the period of actual investment. Adviser, in its sole discretion, may reduce, waive or calculate differently the Management Fee with respect to certain Clients and has done so with respect to employees and affiliates of Adviser.

### **Performance Allocation or Fee**

Adviser, or an affiliate of Adviser, will be entitled to an annual performance allocation ("**Performance Allocation**") from the Funds equal to 20% of net appreciation (including both realized and unrealized gains and losses) on an annual basis, subject to the recovery of any amount in the loss recovery account (i.e., a high water mark). The Performance Allocation is also calculated and payable at the time of an investor's withdrawal or redemption with respect to the amount withdrawn.

Generally Separately Managed Accounts and Special Purpose Entities pay a Performance Allocation (or performance-based fee) generally in the range from 0% to 50% of annual net appreciation, subject to the recovery of any amount in the loss recovery account (i.e., a high water mark), which Performance Allocation may or may not be subject to investment thresholds. Performance Allocations are based upon the valuation methodology agreed to with each Client. The Performance Allocation is also calculated and payable at the time of a Client's withdrawal or redemption with respect to the amount withdrawn.

Adviser, in its sole discretion, may reduce, waive or calculate differently the Performance Allocation (or performance-based fee) with respect to certain Clients and has done so with respect to employees and affiliates of Adviser.

### **Expenses**

Adviser is responsible for and will pay, without reimbursement, all of its internal operating and overhead expenses, including all costs of its personnel, office space, office equipment and supplies, wages, bonuses and other employee benefits.

Whether an expense is a Client or Adviser expense is governed by each Client's Governing Documents and is the joint responsibility of the Chief Compliance Officer, Chief Financial Officer and/or Chief Operating Officer, with the assistance of such other parties as they deem necessary, to oversee how expenses are allocated.

If permitted under a Client's Governing Documents, from time to time Adviser may advance payment of an expense on behalf of the Client and to the extent that the expense may be appropriately borne by the Client, Adviser may seek reimbursement from the Client.

Once a determination is made that an expense is a Client expense which is attributable to more than one Client account, the Chief Compliance Officer, Chief Financial Officer and/or Chief Operating Officer, with the assistance of such other parties as they deem necessary, shall determine the appropriate allocation methodology among the Client accounts. For instance, expenses that directly relate to a specific investment may be allocated based on how the investment is held by, or is to be allocated to, the Client accounts.

In addition to the Management Fee and Performance Allocation or fee described above, each Client shall bear its own investment and operating expenses. Such expenses vary by Fund, Separately Managed Account or Special Purpose Entity and generally include, but are not limited to, legal, auditing, accounting, tax and administration fees and all other expenses of the Fund, Separately Managed Account or Separately Managed Entity, including, without limitation, due diligence expenses, custodian fees, taxes on securities transactions, interest on borrowed money, brokerage fees and commissions and any other similar fees, clearing expenses or other fees and expenses. The Funds, Separately Managed Accounts and/or Separately Managed Entities may invest in Exchange Traded Funds or other similar closed end funds, through which the Funds and/or Separately Managed Accounts may incur additional underlying costs and expenses.

The organizational and initial offering expenses of the Funds will either be expensed as incurred or, where permitted by applicable rules, amortized over a period not to exceed 180 months beginning at the commencement of the Fund's operations.

Prospective investors in the Funds should refer to the relevant Fund's Offering Documents for a more complete understanding of how Adviser is compensated for its advisory services. The information contained in this Item 5 is a summary only and is qualified in its entirety by the relevant Fund's Offering Documents.

## **Item 6 – Performance-Based Fees and Side-by-Side Management**

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As noted in Item 5 above, Adviser charges performance-based fees or allocations on capital appreciation, subject to the recovery of any amount in the loss recovery account (i.e., a high water mark). Adviser will structure any Performance Allocation or fee arrangement in accordance with the provisions of Rule 205-3 of the Advisers Act to the extent required by applicable law.

Adviser will act in a fair and equitable manner in allocating investment opportunities among its Clients and to resolve and mitigate conflicts or potential conflicts in a timely manner. Because Adviser has the responsibility for managing more than one account, potentially with different fee structures, potential conflicts of interest can arise.

The Performance Allocation arrangement may create an incentive for Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different compensation arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

To mitigate the risk of favoring certain Clients over others, adviser has implemented a number of policies and procedures to address these concerns, including a Compliance Manual & Code of Ethics and trade allocation policy that seeks to allocate investments in a fair and equitable manner. In addition, Adviser's compliance department regularly reviews trading, and Adviser's Chief Investment Officer and Portfolio Managers regularly review Client portfolios in order to help ensure that all transactions are being allocated in a manner that Adviser believes is fair and equitable to all Clients. We do not under any circumstance consider fee structures when allocating investment opportunities.

Generally, an investment opportunity will be allocated to a Client if the opportunity reasonably falls within such Client's mandate or is otherwise deemed suitable by Adviser. If an investment opportunity falls within the mandate of, or is otherwise deemed suitable for, two or more Clients, and it is not possible to fully satisfy the investment interest of all such Clients, the investment opportunity will generally be allocated pro rata based on the size of each Client's original investment interest generally based on each Client's available capital or net asset value.

However, other factors influence order allocation decisions, including, without limitation:

- (i) the relative, actual, or potential exposure of any particular Client to the type of investment opportunity in terms of its existing investment portfolio;
- (ii) the investment objectives, guidelines or restrictions of such Client;
- (iii) cash availability, suitability, Client instructions, whether a purchase is being made for a specific Client, permitted leverage and available financing for the investment opportunity;
- (iv) the size, liquidity and duration of the investment opportunity;
- (v) the seniority of an investment and other capital structure criteria;



- (vi) tax, accounting, risk based capital and/or asset/liability management considerations;
- (vii) legal or regulatory considerations;
- (viii) supply or demand for an investment opportunity at a given price level;
- (ix) a Client's risk or investment concentration parameters (including, without limitation, parameters such as geography, industry, issuer, volatility, leverage, liability duration or weighted average life, asset class type, or other similar risk metrics);
- (x) whether a Client is able to commit to invest all capital required to consummate a particular investment opportunity;
- (xi) whether the investment opportunity is a follow-on investment;
- (xii) whether the vehicle is in the process of fundraising or is open to redemptions (in which case, notions of net asset value and available capital may be subjectively adjusted to account for anticipated inflows or redemptions) (e.g., in the case of a Client ramp-up period or when incubating a particular investment strategy or product or the investment period or term of a Client);

## **Item 7 – Types of Clients**

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As noted above, Adviser provides discretionary and non-discretionary investment advisory services to Clients. Investors in the Adviser Funds are generally required to invest a minimum of \$500,000; provided that Adviser or one of their affiliates, in its sole discretion, may accept investments in an amount less than \$500,000.

The Funds are not registered as investment companies under the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”), and are, therefore, not subject to various provisions of the Investment Company Act. Investments in the Funds are not registered for sale under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and are instead sold to qualified investors on a private placement basis. Subscriptions will generally be accepted only from investors who meet the definitions of “Accredited Investor” under Regulation D promulgated under the Securities Act, and “Qualified Clients” eligible to pay performance fees under the Advisers Act and a “Qualified Purchaser” as defined in Section 2(a)(51)(A) of the Investment Company Act. Certain employees of the Adviser who qualify as “knowledgeable employees” under Rule 3c-5 of the Investment Company Act may be permitted to invest directly or indirectly in the Funds.

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

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### **Investment Objective**

Each Client's investment objective is outlined in its applicable Governing Documents. SGAM's objective is to achieve attractive risk-adjusted returns across all economic cycles. Adviser

ordinarily has the discretion to pursue each Client's investment objective. Adviser will seek to identify investment opportunities that offer the prospect of a significant asymmetric risk-adjusted return through investing in situations that, in some cases, may be misunderstood by the broader market, or may fall between the structural biases of the traditional hedge fund and private equity fund models. Adviser will place particular emphasis on identifying and exploiting situations in which deeper knowledge of fundamentals offers enhanced returns. We believe that developing a thorough fundamental, research-driven appreciation of a particular company or sector, as well as focusing on investment opportunities possessing a catalyst, can afford the Clients a competitive advantage.

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

### **Methods of Analysis**

Adviser intends to pursue its investment objective primarily by investing in various loans, debt and equity securities, and other instruments that Adviser believes are inefficiently held or financed, are issued by companies undergoing change or are mispriced due to market misunderstanding of risk. In most cases, we will seek to invest assets in companies with a defined existing or anticipated catalyst (e.g., a restructuring, macroeconomics, spin-off, refinancing, etc.) that increases the likelihood of realization of value.

Adviser's flexible investment mandate allows for the identification of asymmetric investment opportunities across multiple asset classes. In seeking to identify investment opportunities throughout the capital structure, we expect the Clients to be active at various times in some or all of the following core asset classes: *Distressed Debt, Public Equity, Private Equity, Private Debt, High-Yield Corporate Debt, Relative Value, Special Situations, Real Estate and Distressed Real Estate*.

In order to achieve our investment objective, Client accounts are permitted to invest in a broad range of private and publicly traded, U.S. and non-U.S. securities and instruments, including the ability to purchase, hold or sell a wide variety of securities and other investment instruments, including, without limitation, bonds, debentures, notes, loan participations or assignments, preferred stock, common stock, rights, units, warrants, partnership interests, interests in real estate, trade and other vendor claims, mortgages and mortgage-related securities or instruments, contractual obligations and claims, contingent rights, litigation rights and claims, certificates of beneficial interest, liquidation trust certificates in bankruptcies and other situations, put and call options, over-the-counter or listed commodity or equity derivative products, exchange-traded funds, indices, futures, deliverable and non-deliverable foreign currency and other forward contracts and stock exchange indices, swaps, contracts for difference, credit derivatives and other over-the-counter derivative products, commodity interests, limited liability company interests, joint venture interests and any other securities or instruments or assets and liabilities. A substantial portion of the securities and instruments held by Adviser's Clients may not be registered or listed on any exchange, and such securities and instruments may have to be held for a substantial period of time before they may be liquidated. From time to time, Clients also may hold cash or cash equivalents.

Adviser will monitor each Client's portfolio on each trading day. In conducting its portfolio-monitoring activities, we will rely on a variety of publicly available information, as well as information provided by management and creditors of portfolio companies, brokers, dealers, analysts, professional asset managers, research services and hired consultants and advisers. Adviser also may consult with legal and other experts and speak with members of official and unofficial creditor committees of portfolio companies involved in bankruptcy reorganizations and their legal and financial advisers. When deemed appropriate, Adviser or its affiliates, principals or employees may seek to serve as members of creditor committees or boards of directors. Such involvement in an issuer's reorganization proceedings or on an issuer's board of directors could result in the receipt of material nonpublic information and the imposition of restrictions limiting Adviser's ability to liquidate the position for a significant period of time.

### *Risk of Loss*

Investing in securities entails a high degree of risk and is suitable only for sophisticated investors for whom an investment in the Funds and/or Separately Managed Accounts or Special Purpose Entities does not represent a complete investment program and who fully understand and are capable of bearing the risks of such investment. Investors could lose all or substantially all of their investment. Prospective investors should carefully consider the following factors before making a decision to invest.

The following does not purport to be a complete enumeration or explanation of the risks involved or other factors applicable to a determination of the suitability of such an investment for any particular Client or investor. Prospective Clients and investors should review each Fund's Governing Documents, and should consult with their own professional advisors, before deciding to invest with the Adviser.

### *Reliance on Certain Personnel and Principals*

The success of Adviser's Clients are dependent upon the talents and efforts of highly skilled individuals employed by Adviser and our ability to identify and willingness to provide acceptable compensation to attract, retain and motivate talented investment professionals and other employees. There can be no assurance that our investment professionals will continue to be associated with Adviser throughout the life of the Funds and/or Separately Managed Accounts or Special Purpose Entities. The loss of the services of our key personnel could have a material adverse effect for Adviser's Clients.

Except as specifically provided in the Offering Documents, Adviser has the exclusive right and power to manage the investments and business and affairs of each Client. As a result, Adviser's Clients are dependent upon the Principals in their roles as Managing Members and key employees of Adviser, and the loss of either Principal could have a material adverse effect for Adviser's Clients.

### *Investment and Trading Risks*

Adviser's investment program might not be successful. There is no assurance that Client accounts will be able to generate positive returns for investors or that the returns generated will be

commensurate with the risks of investing in the securities, instruments and strategies described herein, nor can there be any assurance that the returns will be uncorrelated with a traditional portfolio of stocks or bonds. Adviser's investment program may entail the use of investment techniques such as leverage, margin transactions, swaps, contracts for difference, short sales, futures, forward contracts, credit derivatives and options contracts, which techniques have the potential to magnify the adverse impact of market moves to which Clients may be subject or cause the Client's net asset value to fluctuate more dramatically than it otherwise would. Investments may be materially affected by economic and financial market conditions occurring globally or in specific countries or markets. These conditions may relate to interest rates, commodity prices, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect negatively the level and volatility of the prices and the liquidity of the Client's investments.

#### *Illiquidity of Portfolio Investments*

A significant portion of Client accounts and portfolios may include loans, securities and other instruments that are not actively or widely traded. In some cases, Client accounts may not be able to readily dispose of such investments, or may be able to dispose of them only at a substantial discount to fair value. In other cases, Clients may be contractually prohibited from disposing of such investments for a specified period of time and may be forced to hold such securities and instruments despite adverse price movements. Accordingly, Clients may be forced to sell more liquid positions at a disadvantageous time (e.g., to satisfy Shareholder redemptions), resulting in a greater percentage of the portfolio consisting of illiquid investments. Further, under adverse market or economic conditions, in the event market participants are aware that Client accounts must sell such investments to raise cash (including to satisfy redemptions), or in the event of adverse changes in the financial condition of the issuer, Clients may find it more difficult to sell such securities when Adviser believes it advisable to do so or may be able to sell such securities only at prices lower than if the securities were more widely held or actively traded.

There may be no, or only a limited, trading market for illiquid securities and instruments. As a consequence, each Client's ability to participate in or liquidate such investments may be restricted and the value of such investments may be subject to wide fluctuation. The purchase and sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the purchase and sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Even if the securities are publicly traded, large holdings of securities can often be disposed of only after a substantial length of time, exposing such holdings to risks comparable to the foregoing. Further, companies whose securities are not publicly traded may not be subject to public disclosure and other investor-protection requirements applicable to publicly traded securities. If Clients are represented on creditors' committees or steering committees or the Principals or employees of the Adviser serve on boards of directors of portfolio companies, or if the Adviser or Clients are deemed an "affiliate," an "insider" or a "fiduciary" of a portfolio company or otherwise receives or has

access to material nonpublic information regarding a portfolio company, Clients may be restricted from liquidating an investments in such company for an indeterminate length of time.

### *Loans and Loan Participations*

Adviser may invest in bank loans and/or participations in bank loans. These obligations are subject to unique risks, including: (i) the possible invalidation or compromise of an investment transaction as a fraudulent conveyance or preference under relevant creditors' rights laws; (ii) challenges to the validity or seniority of bank claims and guarantees; (iii) lender-liability claims by the issuer of the obligations; (iv) environmental liabilities that may arise with respect to collateral securing the obligations; (v) limitations on the ability of Clients to directly enforce its rights with respect to participations; (vi) long and less certain settlement periods; and (vii) adverse consequences resulting from participating in such instruments with other institutions of lower credit quality. Successful claims by third parties arising from these and other risks would be borne by the Clients. In addition, loan participations involve certain risks beyond those associated with direct loans. A loan participant has no contractual relationship with the borrower of the underlying loan. Rather, a holder of a participation in a syndicated loan only obtains rights against the lender. This means that the participant generally has limited or no voting or veto rights, as such rights are generally retained by the lender and that the participant generally has no control rights or rights to force the lender to take any particular action. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the loan agreement in the event of a borrower default and the participant may not have the right to block actions or object to amendments or modifications of the terms of the loan agreement. In addition, a loan participant is subject to the credit risk of the lender as well as of the borrower, since a loan participant is dependent upon the lender to pay to the participant its percentage of payments of principal and interest received by the lender on the underlying loan. Although Adviser will attempt to enter into participations with entities Adviser believes to be sound, there can be no assurance that a failure by any such entity will not lead to a loss to Client accounts. Bank loans and participations held by Clients may have no, or only a limited, trading market. In addition, secondary market liquidity may become constrained during periods of volatility in the credit markets. Illiquid bank loans and participations may trade at a discount to comparable, more liquid investments. In addition, because of the provision of confidential information, the unique and customized nature of a loan agreement and the private syndication of a loan, certain bank loans and participations may not be purchased or sold as easily as publicly traded securities. Bank loans and participations may encounter trading delays due to their unique and customized nature, and transfers may be prohibited without the consent of an agent bank or borrower. Bank loans may become non-performing for a variety of reasons. Non-performing bank loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal of the loan and/or the deferral of payments. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. Clients may incur additional expenses to the extent it is required to seek recovery upon a default on a bank loan or participate in the restructuring of such obligation. Although the Adviser may exercise voting rights with respect to an individual bank loan on behalf of Clients, there can be no certainty that the Adviser will be able

to exercise votes in respect of a sufficient percentage of voting rights to determine the outcome of the vote.

#### *Debt Investments*

Adviser's investments may include secured and unsecured loans and other debt instruments. Risks associated with such debt investments include but are not limited to: the absence of or inadequate collateral coverage; inadequate perfection of a security interest; the possible invalidation or compromise of prepayments, collateral, guarantees or other transactions with the borrower as a fraudulent conveyance or preference under relevant creditors' rights laws; the invalidity or lack of seniority of loans or debt or any claims under guarantees; and environmental liabilities that may arise with respect to collateral securing the obligations.

#### *Investments in Distressed Companies*

Adviser's investments are expected to include loans, debt, equity and other securities, claims and obligations of companies that are experiencing significant financial or business difficulties (including companies involved in bankruptcy or other reorganization or liquidation proceedings). Such distressed investments involve substantial risks not normally associated with investments in healthier companies, including adverse business, financial or economic conditions that can lead to defaulted principal and interest payments and insolvency proceedings. Clients may lose a substantial portion or all of its investment in a distressed debt or equity interest or, in the case of a reorganization or restructuring of the issuer, may be required to accept cash or securities with a value significantly less than the cost of the Client's original investment. Among the risks inherent in investments in distressed entities is the fact that it frequently may be difficult to obtain information as to the true condition of such entities. Troubled company investments also may be adversely affected by U.S. 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. Clients may acquire investments in distressed companies of all types, including equity and debt instruments and, in particular, loans, loan participations, claims held by trade or other creditors, bonds, notes, non-performing and sub-performing mortgage loans, fee interests and financial interests in real estate, partnership interests and similar financial instruments, executory contracts and participations in the foregoing, many of which may not be publicly traded and many of which may involve a substantial degree of risk. Clients may experience significant losses on these investments in distressed companies, or may be required to accept cash or securities with a value significantly less than the cost of the investments. In certain periods, there may be little or no liquidity in the markets for distressed securities or instruments. In addition, the public market prices of distressed securities and prices of private claims and obligations may be subject to periods of abrupt and erratic market movements and significant price volatility, and the spread between the bids and asked prices of such securities may be greater than normally expected. It may take a number of years for the market price of such instruments to reflect their intrinsic value.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals or funding), will be delayed (for example, until various liabilities, actual

or contingent, have been satisfied) or will result in a distribution to investors of cash or a new debt or equity security the value of which will be less than the purchase price of the instrument in respect of which such distribution was made. The administrative costs in connection with a bankruptcy proceeding are frequently high and generally will be paid out of the debtor's estate prior to any return to creditors and equity holders. Certain claims that have priority by law over the claims of certain creditors (for example, claims for taxes) also may be significant. U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Client's influence with respect to a class of securities could be lost by the inflation of the number and the amount of claims in the class. Adviser may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchase has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by Clients. Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy, bankruptcy or reorganization proceedings by the Adviser or its affiliates. To the extent that the Adviser or its affiliates become involved in such proceedings, Clients may have a more active participation in the affairs of the issuer than that assumed generally by an investor. The Adviser or its affiliates may seek representation on creditors' committees or other groups on behalf of Clients, from time to time, subject to any applicable regulations, if the Adviser, in its sole discretion, determines that such representation is necessary or advisable to protect or further Clients' interests. A member of any such committees or groups may owe certain obligations generally to all similarly situated parties that the committee represents. In addition, if Clients are represented on a committee or group, Clients may be restricted or prohibited under applicable law from disposing of their investments in the issuer while they continue to be represented on the committee or group, and potentially for a certain time after leaving the committee or group. In some cases the Adviser may seek representation on a committee or group, but may not get such representation due to the relatively small size of the Clients' investment or other reasons.

Investments in distressed companies domiciled outside the United States involve additional risks.

Bankruptcy laws and procedures in foreign jurisdictions may differ substantially from those in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

#### *High-Yield and Preferred Securities*

Adviser's investments are expected to include high-yield bonds, and convertible and preferred securities (including auction-rate and similar preferred securities) that are rated in the lower rating categories by the various credit rating agencies, or comparable non-rated securities. Securities in the lower-rated categories and comparable non-rated securities are generally subject to greater risk of loss of principal and interest than higher-rated and comparable non-rated securities, and are

generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Such securities 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 market values of certain of these lower-rated debt securities and instruments tend to reflect individual corporate developments to a greater extent than do higher-rated securities and instruments, which would be expected to be more correlated to fluctuations in the general level of interest rates. High-yield securities also may not be protected by financial covenants or limitations on additional issuer indebtedness. Because investors generally perceive that there are greater risks associated with lower-rated and comparable non-rated securities, the markets for such securities may be more volatile, less liquid, and less active than that for higher-rated securities, which can adversely affect the prices at which such securities can be sold, and may even make it impractical or impossible to sell such securities at times of market dislocation. Some issuances may be held by a small number of holders, and there may be little or no liquidity in markets for these securities and instruments even absent market dislocation.

#### *Risk Arbitrage*

Adviser may engage in risk arbitrage as an investment technique. Risk arbitrage typically involves the purchase and/or sale of a position in a security subject to a merger, acquisition, exchange offer, tender offer, reorganization, liquidation or other potential corporate event. In a typical transaction, Adviser may seek to profit from the "spread" between the current market price of the security and the amount to be realized if the potential corporate event occurs. Clients will remain subject to the risks that the anticipated corporate event does not occur or that the Client's hedging to minimize market or company-specific risk is imperfect. Risk arbitrage success will be largely dependent upon the ability of the Adviser to correctly analyze the outcome and the completion date of the potential transaction. In the event the transaction is not consummated, the value of the securities held by Clients may decline significantly. Furthermore, the difference between the price paid by Clients for securities of a company involved in an announced transaction and the anticipated value to be received for such securities upon consummation of the transaction may often be very small. If the proposed transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the securities may decline sharply, potentially by more than the Client's anticipated profit. In pursuing risk arbitrage, Clients will compete with firms, including many of the larger investment banking firms, which have substantially greater financial resources, larger research staffs and more securities traders than the Clients.

#### *Small Companies*

Adviser may invest a portion of its assets in small and/or unseasoned companies, whether or not publicly traded. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, operating history, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of trading in the securities of smaller companies may be substantially less than is typical of securities issued by larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations, reduced liquidity, losses and risks of insolvency or bankruptcy. Adviser may establish comparatively large



positions in these companies' securities, representing a high percentage of the outstanding public float; in that case, when selling all or a large portion of its investment position, Adviser may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to limited trading volume. Further, research resources, third-party analysis and information relating to smaller companies may be less available than that in respect of larger companies, making it more difficult to research an investment and make an informed investment decision.

#### *Real Estate Investments*

Adviser may invest in real estate or companies with significant portfolios of real estate holdings. Investments in real estate and companies with portfolios of real estate are often illiquid and generally are subject to various risks incident to the ownership and operation of commercial and residential real estate, and/or risks incident to investment in nonrecourse mortgage loans secured by real estate, including risks associated with: adverse changes in national economic conditions; adverse local market conditions; the financial conditions of tenants, buyers and sellers of properties; changes in availability of debt financing; changes in interest rates, real estate tax rates and other operating expenses; environmental and zoning laws and other U.S. federal or local governmental rules, regulations and fiscal policies; changes in the relative popularity of properties; risks due to dependence on cash flow; risks and operating problems arising out of the presence of asbestos; and risks of natural disasters, uninsurable losses and other factors.

#### *Highly-Leveraged Companies*

Adviser may invest in the equity and/or debt of highly-leveraged companies. These investments involve a high degree of risk. A highly-leveraged company may be particularly exposed to adverse economic factors such as downturns in the economy or deterioration in the conditions of the company or its industry. Companies that use a significant degree of leverage may be subject to restrictive financial and operating covenants that may constrain the implementation of their business strategies. Moreover, rising interest rates may significantly increase such companies' interest expense, causing losses and/or inability to service outstanding debt. In the event any such company cannot generate adequate cash flow to meet debt service or refinance debt, the Client may suffer a partial or total loss of its investment in the company.

#### *Interest Rate Risk; Inflation/Deflation Risk*

Changes in interest rates can affect the value of a Client's investments in fixed-income instruments. Increases in interest rates may cause the value of the Client's debt investments to decline. During periods of rising interest rates, the average life of certain types of securities in which Clients may invest may be extended, because borrowers choose not to repay principal on the loans to take advantage of a below-market interest rate. This "extension risk" increases the security's duration (the estimated period until the security is paid in full) and reduces the security's value. During periods of declining interest rates, an issuer of fixed-income securities may be more likely to exercise its option to prepay principal, which may make an investment less profitable. Instruments held by a Client may have call features that allow the issuer to repurchase the securities before stated maturity. An issuer may redeem a lower-grade obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the issuer's credit standing.

A Client's fixed-income investments may be subject to inflation or deflation risk. Inflation risk is the risk that the value of assets or income from the Client's fixed-income investments will be worth less in the future as inflation decreases the present value of payments at future dates. Deflation risk is the risk that prices throughout the economy decline over time, which may reduce the value of a Client's portfolio by damaging issuer creditworthiness or increasing the likelihood of issuer default.

#### *Credit-Rating Risk*

The ratings assigned by credit-rating agencies to some types of fixed-income obligations measure the issuer's creditworthiness and affect the value of those obligations. Ratings assigned to fixed-income securities by credit-rating agencies are intended to indicate different levels of risk that a fixed-income security will pay its principal and interest to investors as and when required. Ratings are based on various factors, such as the fixed-income security's seniority in the issuer's capital structure, credit characteristics, collateral composition, if any, degree of diversification, weighted average life of the collateral, if any, and the legal structure of the issuer. Credit ratings have limited predictive power. An issuer's rating is heavily weighted by historical data and does not necessarily reflect future conditions. In addition, the rating agencies may have difficulty rating and monitoring mortgage-related securities through different economic cycles. If rating agencies incorrectly rate, or downgrade ratings on, fixed-income securities, the value of the rated securities may decrease substantially.

#### *Fraudulent Conveyance, Preference and Equitable Subordination Considerations*

Various laws enacted for the protection of creditors may be applied to some of a Client's investments and may sustain losses or incur legal defense costs as a result. Losses may be realized years after the investments were bought or sold by Adviser. These creditor-protection laws may be applied to a Client's investments in bonds or bank loans of distressed companies that go or have gone into bankruptcy, or to equity investments bought or sold by Clients. For example, under U.S. federal and state laws of fraudulent conveyance, if loans made to companies that are insolvent or are rendered insolvent as a result of the transaction that includes the borrowing, the loans or the liens or guaranties that secure such loans may be judicially invalidated, and the borrower's payments of principal, interest or fees to its lenders or stock dividends or stock repurchase payments may be recouped. Fraudulent conveyance actions may target transfers made as much as six years before the commencement of the fraudulent conveyance action or a bankruptcy case. Similar to fraudulent conveyance actions, preference actions also may be asserted against investors in a failing company. If an issuer in which a Client has an investment becomes insolvent, any payment made by the issuer on such investment, including loan interest, principal or fees, may be subject to disgorgement as a "preference" if made within a certain period of time (which may be as long as one year) before the date the issuer enters bankruptcy. In general, if an issuer's payments are found to be either fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from the Client and the Client has no or inadequate recourse to upstream or other parties, the resulting loss would be borne the Client. Under other principles of U.S. bankruptcy law, loans may lose their priority due to "equitable subordination," which is a

remedy whereby a court subordinates the claim of a creditor to claims of disadvantaged creditors. Examples of situations where equitable subordination could be applied are where a lender (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors, (ii) engages in other inequitable conduct to the detriment of other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, other creditors or (iv) uses its influence to dominate or control a borrower to the detriment of other creditors. Under related remedies known as “equitable disallowance” or “lender liability,” a court may disallow the claim of a lender or other creditor that has abused its influence on the borrower, or even require the lender or other creditor to pay affirmative damages for its misconduct. Certain non-U.S. jurisdictions, particularly emerging-market jurisdictions, may have substantially different or less sophisticated systems for resolving corporate insolvencies. Such differences could expose a Client to unanticipated claims, legal risks, costs and delays, any one of which could have an adverse effect on one or more of Adviser’s investments.

### *Short Sales*

Adviser’s investment program permits short-selling. Short sales may be made, for example, if Adviser believes the securities or instruments are overpriced relative to their intrinsic or fundamental value or to other securities or indices that may provide a hedge, or are expected to depreciate in value due to a catalyzing event or change in circumstances. Short sales also may be made in connection with the Client’s risk arbitrage investments. In addition, short positions may be taken if, in the view of Adviser, such positions will reduce the risk inherent in taking long positions. The extent to which the Client engages in short sales will depend upon the Client’s investment strategy and perception of market direction. An uncovered short sale of an instrument involves the risk of an increase in the market price of the instrument, which could result in an inability to cover the short position or a substantial and theoretically unlimited loss; by contrast, the prospective gain on a short sale generally is limited to the proceeds of the sale. There can be no assurance that the Client will be able to maintain the ability to borrow securities sold short. In such cases, the Client can be “bought in” (forced to repurchase securities in the open market to return to the lender). Furthermore, there can be no assurance that securities or instruments necessary to cover a short position will be available for purchase. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. The rules affecting short sales (and synthetic short sales) in the U.S. and other jurisdictions are constantly evolving in ways that have restricted or may restrict the Client’s freedom to engage in short-selling, which could hamper Adviser’s ability to achieve their investment objective.

### *Hedging Transactions*

Adviser may utilize a variety of financial instruments, such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts, both for investment purposes and for risk management purposes. While Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance and increased (rather than reduced) risk for Clients than if it had not engaged in any such hedging transactions. Moreover, it should

be noted that a Client's portfolio frequently will be exposed to certain risks that cannot be hedged, such as credit risk relating to issuers and counterparties.

#### *Currency Risks*

Adviser, or one of its affiliates, will compute a Client's income in U.S. dollars. Since Adviser may invest in loans, securities and other instruments denominated or quoted in currencies other than the U.S. dollar, changes in currency exchange rates will affect the value of the Client's portfolio and the unrealized appreciation or depreciation of investments. Further, Adviser may incur costs in connection with conversions between various currencies. Adviser may seek to protect the value of some portion or all of its portfolio holdings against currency risks by engaging in hedging transactions. There can be no assurance that instruments suitable for hedging currency or market shifts will be available when Adviser wishes to use them, or will be susceptible to liquidation when Adviser wishes to exit them.

#### *Control Issues*

Although Adviser may seek protective provisions in connection with certain of its investments, particularly Side Pocket Investments, to the extent Clients take minority or passive positions in companies in which it invests, Adviser may not be in a position to exercise control over corporate management and, accordingly, may have a limited ability to protect the Client's investment in such companies. The day-to-day operations of such companies will be the responsibility of the companies' management teams, and there is no assurance that they can operate the companies successfully. In these circumstances and others in which Adviser relies on information from corporate management, the investment also will be subject to the risk of dysfunctional or fraudulent management and accounting irregularities. To the extent Adviser co-invests with third parties through joint ventures or other entities, such investments may involve risks such as dysfunctional management, increased costs, greater illiquidity and investors with conflicting interests or investment objectives. There also may be the possibility that a third-party co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of Clients, or may be in a position to take (or block) action in a manner contrary to the Adviser's investment objective.

#### *Potential Involvement in Litigation*

Adviser or its affiliates may become involved in litigation. Litigation or threats of litigation consume time and resources and may disrupt the ability of Adviser and its personnel to carry on their normal investment activities on behalf of Clients. Litigation entails expense and the possibility of counterclaims against Clients, and ultimately judgments may be rendered against Clients for which neither they nor any applicable affiliate carries insurance. The expense of prosecuting claims, for which there is no guarantee of success, and/or the expense of defending against claims by third parties and paying any amounts due pursuant to settlements or judgments would generally be borne by Clients and would reduce net assets.

#### *Derivative Instruments; Counterparty Credit Risk*

Adviser's investments are expected to include purchases, sales, financing arrangements (including the lending of portfolio securities) and derivative instruments that are not traded on an exchange

but are instead traded between counterparties based on contractual relationships. Consequently, Clients will be subject to the risk that a counterparty will not perform its obligations under the related contracts. The prices of, or payments pursuant to, swaps and other derivative instruments may be highly volatile and may be influenced by, among other things, interest rates, changing supply and demand relationships, policies of governments, and national and international political and economic events. Adviser expects to effect certain derivative transactions on “over-the-counter” or “interdealer” markets. The participants in these markets are typically not subject to credit evaluation and regulatory oversight. This will expose Adviser to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a credit or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide), since such markets may lack the established rules and procedures for swift settlement of disputes among market participants that exist in exchange-based markets. These factors may cause Clients to suffer a loss due to adverse market movements while replacement transactions are executed or otherwise. Such “counterparty risk” is present in interest rate, currency, default and equity swaps, participations through banks, non-U.S. exchange contracts and distressed debt trades, and is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Client has concentrated its transactions with a single or small group of counterparties. Similarly, contracts in the non-U.S. exchange market are not guaranteed by an exchange or its clearinghouse. Consequently, there are no requirements imposed on a counterparty with respect to financial responsibility or segregation of customer positions. As a result, trading in interbank non-U.S. exchange contracts may be subject to more risks than trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which Adviser has a forward contract. Transactions entered into by Adviser may be executed on various exchanges (domestic and foreign) and may be cleared and settled through various clearinghouses, custodians, depositories and prime brokers. Although Adviser will attempt to execute, clear and settle transactions through (and use as custodian for its securities) entities Adviser believes to be sound, there can be no assurance that a failure by any such entity will not lead to a loss by Adviser.

#### *Trading Restrictions due to Inside Information*

Adviser and/or its affiliates may acquire confidential or material nonpublic information or be restricted from initiating transactions in certain securities. Clients will not be free to act upon any such information. Due to these restrictions, Adviser may not be able to initiate an investment that it otherwise might have pursued and may not be able to sell an investment that it otherwise might have exited.

#### *Risk Concentration and Risk Management Failures*

Adviser is not restricted in the amount of its capital that it may commit to any single investment, strategy, industry sector or geographic region. While Adviser generally expects it will attempt to spread investments to avoid undue exposure to any one issuer, security type, market, sector or geographic region, Adviser at times may hold a relatively large portfolio concentration in any of the above categories. Any such concentration may increase a Client’s risk of loss and have a material adverse effect on the Client’s overall financial condition. Even when Adviser attempts to

control investment risks and diversify Client portfolios, risks associated with different assets may be correlated in unexpected ways, with the result that investors may face concentrated exposure to certain risks. Conversely, Adviser may encounter unexpected changes in the correlation of assets or markets, or basis risk due to imperfectly matched debt maturities and similar factors, which may impede Adviser's ability to hedge or limit risk and result in investment losses. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different. In addition, many private investment funds pursue similar investment strategies, which creates the risk of numerous funds being forced to liquidate positions at the same time, thereby reducing liquidity, increasing price volatility and exacerbating losses. Although Adviser will attempt diligently to identify, monitor and manage significant risks, these efforts at times may be ineffective. Any inadequacy or failure in Adviser's risk management efforts could result in material losses for Clients.

#### *Investment Due Diligence and Investment Research*

When conducting due diligence and investment research, Adviser may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence and investment research process in varying degrees, depending on the nature of the potential investment. In addition, when conducting due diligence and investment research and making an assessment regarding an investment, Adviser may rely on information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation and investment research that Adviser carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity or may be manipulated by fraud. Moreover, a satisfactory due diligence investigation does not, in and of itself, ensure that an investment will be successful.

#### *Operational Risks*

Advisers, and/or one of its affiliate's, systems and operations will be dynamic and complex. Certain of their operations interface with and will be dependent on systems operated by third parties, including prime brokers, administrators, market counterparties and their sub-custodians and other service providers, and Adviser's, and/or one of its affiliate's may not be in a position to quantify the risks or verify the reliability of such third-party systems. Certain operational risks may be intrinsic to Adviser and/or one of its affiliate's operations and may impact their financial, accounting or data processing or other systems, especially given the volume, diversity and complexity of the investment transactions in which Adviser may engage. Operational risk may be exacerbated in periods of market dislocation or abrupt regulatory change. The failure of one or more systems or operations or the inability of such systems or operations to meet the demands of Adviser's evolving activities could have a material adverse effect on the Clients. Clients (and not Adviser, and/or one of its affiliates) will ordinarily be responsible for any losses resulting from trading errors and similar human errors, absent bad faith, willful misconduct or gross negligence.

#### *Asset Valuation*

The Funds' third party administrator (Povol & Company) ("**Administrator**") calculates the value of assets and liabilities of each Fund in accordance with the relevant Fund's Governing Documents

after consultation with Adviser, and in accordance with Adviser's valuation policy. Adviser may replace Administrator or appoint an additional administrator including self-administering Client accounts at any time, in accordance with the Client's Governing Documents. The value assigned to the securities and instruments held by Clients affect the amount of Management Fee and Performance Allocation to be paid to Adviser and/or one of its affiliates, as well as the reported performance of Clients. Certain of Adviser's investments may be difficult to value (including Side Pocket Investments, certain bank loan positions and other unlisted or non-exchange traded securities and instruments). In some cases, in particular where broker-dealer quotations are few or non-existent, the fair value of an investment may be determined by, among other things, using valuation models and, if necessary, through relative value pricing, other relevant sources deemed reliable by Adviser and/or one of its affiliates or the subjective determination of Adviser's personnel most familiar with the position in question. Determining fair value in the absence of any market or reliable valuation model can be difficult and subjective, and investments may be sold at prices below any such valuation.

#### *Contingent Liabilities*

From time to time Clients may incur contingent obligations, particularly in respect of Side Pocket Investments. These obligations could include, for example, commitments to fund joint venture equity at future dates, indemnities or guarantees, and representations or warranties upon sale or disposition. Unresolved claims, including threatened litigation against the Clients or their affiliates, or tax assessments or claims for unpaid taxes are also potential sources of contingent liabilities. Contingent obligations may result in reserves and holdbacks upon a Client's redemption and upon the winding-up of the Client, which may subsist indefinitely; in addition, Adviser and/or one of its affiliates may require the Client to return distributed capital and earnings if, on final winding-up of the Client, the Client's property is insufficient to satisfy the Client's liabilities. To the extent that expenses or losses arise in connection with any such contingent obligation, including contingent obligations that relate to prior periods, they generally will be borne by the Client and may adversely affect the Client.

#### *Competition; Availability of Investments*

Adviser is likely to face competition for attractive investment opportunities from hedge funds, private equity funds and other investment funds, as well as other market participants such as commercial banks, investment banks, traditional asset managers and other financial institutions. Some of these investment funds and other market participants may have investment strategies similar to those employed by Adviser or otherwise be in competition with Clients for available investment opportunities. As a result, the number of investment opportunities available to each Client, and the expected returns available on such investments, may be limited. Clients may be at a competitive disadvantage to other investors in a particular sector or investment, as other investors may have greater capital, lower targeted returns or greater sector- or strategy-specific expertise than the Client. The foregoing factors mean there can be no assurance that Adviser will be able to identify or successfully pursue attractive investment opportunities on behalf of Clients.

*Each Fund is Not a Registered Investment Company*

While each Fund may be considered similar to an investment company, they are not registered as such under the Investment Company Act, in reliance upon a registration exemption available to privately offered investment companies. Accordingly, the provisions of the Investment Company Act (which, among other things, require registered investment companies to have a majority of disinterested directors, require securities held in custody to be at all times individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company, and regulate the relationship between the investment adviser and the investment company) are not applicable to the Funds.

*Legal, Tax and Regulatory Risks*

Future legal, tax and regulatory changes may adversely affect Clients. For example, tax treaties or tax laws in foreign jurisdictions may change, resulting in materially higher levels of taxation upon disposition and adversely affecting the return on investments. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the SEC, other regulators and self-regulatory organizations and exchanges authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and investment funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The regulatory environment for private funds and fund managers is evolving, and changes in the regulation of private funds, fund managers and their trading activities may adversely affect the ability of Adviser to pursue their investment strategy and the value of investments. In recent years, there has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. Such scrutiny may increase Clients' exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight also may impose administrative burdens on the Investment Manager, the General Partner and their personnel.

With the passage of the Dodd-Frank Act, there has been, and will continue to be, extensive rulemaking and regulatory changes that may affect private fund managers, the investment funds they manage and the financial industry as a whole.

Adviser is not registered with the Commodity Futures Trading Commission (the "CFTC") as a commodity pool operator ("CPO") with respect to the Funds. Adviser reserves the right to register with the CFTC as a CPO, and to the extent Adviser is required to register with the CFTC as a CPO, it would be subject to increased regulatory requirements that would impose additional administrative burdens. Clients may be subject to new or additional regulatory constraints in the future. It is impossible to predict what changes in regulations may occur, but any regulations that restrict the ability of Adviser to trade in certain securities or other instruments, employ leverage or otherwise limit the Funds' ability to pursue their investment strategies could have a material adverse impact on a Client's portfolio. As new or additional laws are enacted or regulations adopted, the Adviser will evaluate their potential impact on the Funds and may, in response to such laws or regulations, cause the Funds to modify or withdraw from certain existing investments, investment strategies or business activities.



The foregoing is a summary of material risks involved in Adviser's investment strategies. Further discussion of risk factors to the Adviser Funds is presented in each Fund's Governing Documents, which are available to current and eligible prospective investors in such Fund.

## **Item 9 – Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Adviser or the integrity of Adviser's management. Neither Adviser nor any of our management personnel are subject to or have in the past been subject to any criminal or civil action in any domestic or foreign court, and neither Adviser nor any of our management personnel have been subject to any administrative proceedings before the SEC or any other state, federal or foreign financial regulatory authority.

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

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### **A. Registration as a Broker-Dealer or Registered Representative**

Certain employees of the Adviser and its Affiliates maintain registrations with Seaport Global Securities LLC ("SGS"), an affiliated securities broker-dealer registered with the SEC, FINRA and various states, and may conduct business on behalf of, or in their capacity as, a representative for SGS.

### **Family Office**

SGAM's managing partners have established family offices to provide investment advisory, accounting, administrative and other services to their respective family accounts (including certain charitable accounts) in connection with their personal investment activities unrelated to their investments in Advisers entities. The investment activities of the family offices, and the involvement of the managing partners in these activities, could give rise to potential conflicts between the personal financial interests of the managing partners and the interests of Advisers Clients. SGAM has adopted certain procedures designed to mitigate some of these potential conflicts including, by way of example, SGAM monitoring the investments and pre-clearance for certain trades by either or both of SGAM and SGS.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person of the foregoing entities**

Neither Adviser nor its employees hold any of the above registrations.

### **C. Material Relationships**

#### *1. Broker-dealer, municipal securities dealer, or government securities dealer or broker*

SGAM's parent company, Seaport Global Holdings LLC, controls both SGAM and Seaport Global Securities LLC and The Seaport Group Europe LLC, which are both regulated broker-

dealers in their respective jurisdictions. Subject to Adviser's obligation to seek best execution, Adviser expects to utilize the services of SGS for substantially all of the Clients' publically-traded portfolio transactions. Consequently, SGS will share in a portion of the revenues normally and customarily generated by a broker-dealer from the securities transactions of the Fund.

Adviser may buy securities from and sell securities to the Clients in its capacity as a principal or agent, and act as a financial M&A adviser, underwriter, placement agent or initial purchaser in securities transactions in which the Funds participate. In executing trades for the Funds, SGS may charge customary brokerage commissions or markups, fees and expenses in connection with the transaction. In all cases in which portfolio securities transactions are directed to SGS (or to any other broker), Adviser will determine in good faith that the brokerage commissions or markups, fees and expenses charged in connection with such transactions are reasonable in relation to the value of the brokerage, research and other services provided by that broker, viewed in terms of either the specific transaction or Adviser's overall responsibilities to its clients. Adviser has no obligation to effect any particular volume of transactions through SGS.

SGS, a Delaware limited liability company and broker-dealer affiliated with the Adviser, is registered to perform the following services: (i) underwriting of securities; (ii) broker or dealer services in connection with the resale of corporate debt or equity securities to Clients under Rule 144A under the Securities Act or otherwise assisting in the structuring or facilitating the initial resales of debt or equity securities under Rule 144A of the Securities Act; (iii) transaction advisory services; (iv) marketing of private funds; (v) conducting private placements; (vi) trading securities for its own account; (vii) purchasing and selling corporate debt securities; (viii) arranging for transactions in listed securities; (ix) selling interests in mortgages, receivables or other asset-backed securities; and (x) arranging loans. Subject to a Client's Governing Documents, engaging SGS on an arm's-length basis may require approval from such Client's advisory board, or similar committee. Fees received by SGS in connection with these services are disclosed in the applicable Client's Governing Documents. Fees received by SGS in connection with the provision of private placement, structuring, broker-dealer (including facilitating initial resales of debt or equity securities under Rule 144A under the Securities Act) and similar services are, subject to a Client's Governing Documents, not applied to reduce any fees of management fee-paying investors in Clients and are retained by SGS.

Clients are under no obligation to use the services of SGS to implement securities transactions. If Client chooses to have their SGAM representative implement securities transactions, SGAM generally will use SGS. Prior to effecting any such transactions, Client may establish an investor committee to approve each transaction prior to SGAM placing the order with SGS. The commissions charged by SGS may be higher or lower than those charged by other broker/dealers.

2. *Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)*

See Item 7 above. Adviser has a fiduciary duty to act in the best interest of each Fund that it manages, and investors in each Fund have the right to withdraw from the Fund at any time subject to any notice requirement, lock-up period or other withdrawal limitations described in the Fund Documents. Adviser may from time to time enter into a side letter agreement with one or more investors in the Funds which may, among other terms, provide for (a) withdrawal rights that are more favorable than the rights granted to all other Fund investors, (b) a reduced management fee and/or performance-based compensation, or (c) greater or more frequent reporting with respect to the Fund. In addition, neither Adviser nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Fund. Adviser and its related persons intend to devote as much time as they deem necessary for the conduct of each Fund's operation and portfolio management, and will allocate investment opportunities in accordance with Adviser's trade allocation policy described in Item 6 above.

3. *Other investment adviser or financial planner*

Armory Advisers LLC and Armory Partners LLC (collectively, "**Armory**") are both affiliates of SGAM primarily engaged in managing Advisers high yield Clients that fall within the high-yield debt business segment. Unless otherwise stated, the Armory entities are registered with the SEC as investment advisers relying on SGAM's investment adviser registration.

4. *Futures commission merchant, commodity pool operator, or commodity trading adviser*  
Not Applicable.

5. *Banking or thrift institution*  
Not Applicable.

6. *Accountant or accounting firm*  
Not Applicable.

7. *Lawyer or law firm*  
Not Applicable.

8. *Insurance company or agency*  
Not Applicable.

9. *Pension consultant*  
Not Applicable.

10. *Real estate broker or dealer*  
Not Applicable.

11. *Sponsor or syndicator of limited partnerships*  
Not Applicable

**D. Material Relationships with Affiliates**

Not Applicable.

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

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Adviser has adopted a Compliance Manual and Code of Ethics in compliance with Rule 204A-1 under the Advisers Act that establish various procedures with respect to investment transactions in accounts in which employees of Adviser and/or their affiliates have a beneficial interest or accounts over which an employee has investment discretion.

The foundation of the Compliance Manual and Code of Ethics is based upon the following principals:

- Employees must at all times place the interest of Clients first;
- Employees must make sure that all personal securities transactions are conducted consistent with the Compliance Manual and Code of Ethics;
- Employees should not take inappropriate advantage of their position at Adviser; and
- Employees are prohibited from trading on the basis of material nonpublic information

The Compliance Manual and Code of Ethics includes general requirements that Supervised Persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest, confidentiality of client information and gifts and entertainment. It requires Supervised Persons to comply with the personal trading restrictions and to report their personal securities transactions and holdings to Adviser's Chief Compliance Officer (the "CCO"), and requires the CCO to review those reports. It also requires Supervised Persons to report any violations of the Code of Ethics promptly to the CCO. Each Supervised Person receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received those materials. Annually, each Supervised Person must certify that he or she complied with the Code of Ethics during the preceding year.

Investors may request a copy of Adviser's Code of Ethics by contacting the Chief Compliance Officer, Michael Ring, telephone: 212.616.7700, email: [mring@seaportglobalam.com](mailto:mring@seaportglobalam.com).

**Cross Trades and Principal Transactions**

SGAM directs, from time to time and subject to applicable Client investment guidelines and restrictions, one Client to sell securities to another Client (or with other SGAM Clients) through a "cross trade." Cross trades are executed with the assistance of a broker-dealer or as an "internal cross" where the Clients' custodian(s) is instructed to book the transaction at a price determined in accordance with SGAM's cross trades policies. No fees will be charged by SGAM or their affiliates to Clients in connection with the completion of a cross trade. Cross trades are viewed as

principal transactions in limited circumstances due to the ownership interest in the Client by the SGAM and their personnel.

Cross trades and principal transactions give rise to conflicts of interest between Clients and between Clients and SGAM. For example, one Client could be advantaged to the detriment of another Client if the securities being exchanged are not priced in a manner that reflects their fair market value. In addition, SGAM could use their investment authority to transfer unappealing investments from one Client to another Client.

To the extent that any cross trades or affiliate transaction described above may be viewed as a principal transaction due to the ownership interest in the Client of SGAM and its personnel, SGAM will comply with the requirements of Section 206(3) of the Advisers Act and its internal policies and procedures. Specifically, the applicable SGAM investment professionals must provide notice to, and obtain the approval of, the Chief Compliance Officer or designee, the Client's portfolio manager and a member of the compliance department, prior to executing a principal trade or cross trade. When reviewing a proposed principal trade or cross trade, the Chief Compliance Officer or designee and the Client shall confirm, among other things: (i) that such trade is allowed by the applicable Client's investment guidelines; (ii) that SGAM's valuation procedures were followed when pricing the transaction, including obtaining a third-party valuation when appropriate; and (iii) in the case of principal trades, that notice of the specific trade was provided to the Client and written consent from the Client was obtained.

*Client Advisory Boards.* Certain Clients have advisory boards that consist of representatives of certain investors in such Clients. Certain Clients also have the ability to create subcommittees of their advisory boards to address certain categories of topics, such as expense allocations, valuations and other topics. Any approval or consent given by a subcommittee will generally be treated as an approval or consent given by the applicable advisory board. Any approval or consent given by such advisory boards (or subcommittees) tends to be binding on such Clients and all of their investors. Advisory boards are also generally authorized to give approvals or consents required under the Advisers Act, including under Section 206(3) of the Advisers Act. To the extent that an investor is not represented by a member of a Client's advisory board, such investor will have no influence over matters submitted to the advisory board for approval. Although SGAM has adopted policies and procedures designed to manage conflicts among Clients, members of the advisory boards may themselves have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted for consideration or review to the advisory boards on which they serve. In such instances, SGAM expects that such members of the advisory board will act in the best interest of the Client that it represents; however, there can be no assurances that such conflicts of interest will be entirely eliminated.

## **Item 12 – Brokerage Practices**

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### **Best Execution**

Adviser has complete discretion in selecting the broker that it uses for client transactions and the commission rates that Clients pay such brokers. In selecting a broker for any transaction or series of transactions, Adviser may consider a number of factors, including, for example:

- Net price, clearance, settlement and reputation;
- Reputation financial strength and stability;
- Efficiency of execution and error resolution;
- Block trading and block positioning capabilities;
- Willingness to execute difficult transactions;
- Access to underwritten offerings and secondary markets;
- Access to company management;
- Market intelligence regarding trading activity;
- Order of call;
- Computerized trading systems; and
- Availability of stocks to borrow for short trades.

### **Soft Dollars**

Adviser may receive products or services from a broker or allow a broker to pay for the following in the event Adviser does enter into a formal soft dollar arrangement:

- Research reports, services and conferences, including third party research fees;
- Technical data;
- Performance measurement data;
- News wire and data processing charges;
- Quotation services;
- Periodical subscription fees;
- Trade cost analysis reporting;

Section 28(e) of the Exchange Act provides a safe harbor that permits an investment adviser, when selecting brokers to execute transactions for client accounts, to take into account research products and brokerage services provided to it by brokers. In order to qualify for the safe harbor, the research products and services provided by the broker and paid for out of “soft dollars” must provide lawful and appropriate assistance to the investment adviser in the performance of its investment decision-making responsibilities.

As of October 31, 2018 Adviser does not have any third party soft dollar arrangements. Furthermore, Adviser will not enter into any third party soft dollar arrangements without the express approval of the CCO.

Adviser has retained Cantor Fitzgerald & Co., Bank of America Merrill Lynch, J.P. Morgan Chase and Signature Bank to serve as the Funds' prime brokers, banks and custodians. Adviser may replace any such firm or appoint an additional prime broker and/or custodian at any time. The services that these firms may provide as prime brokers may include custody, margin financing, clearing, settlement and stock borrowing in accordance with the terms of the prime brokerage agreements entered into between each Adviser Fund and/or Client and each of these firms. These firms have custody of most of Adviser's Clients' assets and provide Adviser with other services. These firms also may, at their discretion, provide capital introduction services (subject always to the obligation of Adviser to seek best execution for all transactions). Adviser expects to use a substantial portion of these services for research and trading on behalf of Adviser's Clients, but some may be used for administrative purposes, which would not be within the safe harbor of section 28(e). Although many prime brokers provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, if Adviser did not receive these services from these firms, Adviser would be required to pay for all or some portion of them. Adviser is not required to direct a particular number of trades to any of these firms or to continue to use them as prime broker or custodian, but it has an incentive to do so based on their prior and continued services.

## **Trade Errors**

### **A) General**

The Adviser attempts to minimize trade errors by taking the utmost care in making and implementing investment decisions on behalf of clients. However, from time to time, a Portfolio Manager or other Supervised Person may inadvertently order or place a trade that deviates from applicable laws, the terms of client agreements or client disclosure documents or that is not consistent with the Portfolio Manager's instructions or intent. Trade errors may occur either in:

- the investment decision-making process (e.g., a decision may be made to purchase a security or an amount of a security that violates the client's investment restrictions); or
- the trading process (e.g., a security other than that ordered by the Portfolio Manager may be bought or sold, or a buy order may be executed as a sell, or an improper quantity may be bought or sold).

### **B) Responsibility for Trade Errors**

Unless the Adviser has specifically addressed trade errors in the Client's Governing Documents, it is the Adviser's policy that clients should bear losses resulting from any errors or mistakes in placing or executing trades for the client, as such errors are considered by the Adviser to be one of the risks that any investor that invests in public markets bears. However, the Adviser will reimburse the client for any trade error resulting from the Adviser's gross negligence or willful

misconduct. Any positive trade errors will be for the benefit of the Client and not retained by the Adviser. The Adviser, subject to its fiduciary obligations, will determine whether or not any trade error is required to be reimbursed in accordance with this policy. When reimbursement is determined to be required, the Adviser may net gains and losses relating to the trade error. Netting of gains and losses between clients or unrelated to the trade error is not permitted.

### **C) Monitoring for Trade Errors**

The Adviser seeks to minimize trade errors by assigning the operations department to promptly reconcile broker confirmations with internal trade tickets. The Adviser will also review past trade errors to identify and understand any internal control breakdowns or weaknesses that might have caused such errors.

### **D) Reporting and Documentation**

It is the responsibility of Supervised Persons to ensure that errors are dealt with promptly, proper records are kept, and appropriate parties are kept informed. If you detect or become aware of any incident or circumstance that may constitute a trade error, you should promptly notify the CCO. The CCO will prepare or approve a written memorandum documenting the error and its resolution. The CCO will retain each memorandum and all supporting documentation, including copies of e-mails, trading tickets, internal memoranda and client correspondence.

### **E) Trade Error Correction**

A trade error should be corrected as soon after discovery as reasonably practicable, consistent with the orderly disposition (and/or acquisition) of the securities in question. If there is any doubt as to whether something constitutes a trade error, it should be discussed with the CCO. With respect to the correction of errors, the following principles generally apply:

- a. Transactions yet to settle: If the error is discovered before the transaction has settled and confirmed, it may be possible to cancel the transaction, subject to the provisions of the policy.
- b. Transactions that have settled: If a transaction has settled or confirmation has been received from the broker-dealer, the transaction should be reversed by repurchasing the security sold in error or selling the security purchased in error.
- c. Broker-dealer assumption of loss: The Adviser may not permit broker-dealers to assume responsibility for trade error losses caused by the Adviser nor may the Adviser use soft dollar credits or the promise of future trade commissions or brokerage transactions to compensate a broker-dealer for absorbing the cost of a trade error.

### **Aggregation of Orders**

Adviser may manage assets for a number of clients, which may have the same or similar investment objectives. It is Adviser's policy to allocate investment opportunities that it identifies as being suitable for more than one client fairly and equitably over time consistent with its fiduciary



duties to Clients and taking into account all relevant facts and circumstances. Orders for the same investment entered on behalf of more than one Client may be aggregated, subject to the aggregation being in the best interests of all participating Clients, in order to facilitate execution and minimize transaction costs. For an aggregated order, Adviser prepares a pre-trade allocation statement in advance of the trade that indicates how the Adviser intends to allocate the trade. When an aggregated order is filled through multiple trades at different prices from the same time period within a trade day, each participating Client will receive the average price with transaction costs allocated pro rata based on the size of each Client's participation in the order (or allocation in the event of a partial fill) as determined by Adviser. In the event of a partial fill, allocations generally will be made pro rata based on the initial order, but may be modified on a basis that the SGAM deems to be appropriate, including, for example, in order to avoid odd lots or de minimis allocations. This may result in allocations of certain investments on other than a pro rata basis. If the executed order is not allocated pro rata in accordance with the pre-trade statement, Adviser prepares a statement documenting the reason for the changed allocation.

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### **Item 13 – Review of Accounts**

Adviser's portfolio managers and investment team are responsible for overseeing Client portfolios, including, but not limited to, monitoring investments on an ongoing basis. Portfolio managers and the investment team also hold ad hoc meetings as necessary to review all accounts. Those reviews take into account such matters as asset allocation, investment ideas, current events, investment strategies and Client positions. Adviser's Chief Financial Officer ("CFO") and operations team reviews and reconciles Client portfolios on a daily basis to assure conformity with investment guidelines, restrictions and objectives. The CFO will advise the Portfolio Managers of any apparent anomalies. Adviser's CFO and operations team reviews and reconciles all transactions, positions and cash balances on a daily basis. The Fund's third party Administrator, in conjunction with our operations team, provides monthly reviews and reconciliations cash, positions and activity to the prime brokers in order to properly validate and account for all transactions. Monthly profit and loss is reconciled by the Administrator and is reconciled by the CFO and operations team. The monthly net asset value calculations are prepared by the Administrator and reviewed by the CFO and operations team.

Investors in the SGAM Funds, SPE's and SMA's, receive quarterly statements of valuation, periodic unaudited performance information, and annual audited financial statements prepared in accordance with U.S. generally accepted accounting principles by an accounting firm that is registered with and subject to regular inspection by the Public Accounting Oversight Board pursuant to rule 206(4)-2(b)(4)(ii).

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

Adviser may engage solicitors to whom it pays cash or a portion of the advisory fees paid by Clients referred to it by those solicitors. In such cases, this practice is disclosed in writing to the

Client and Adviser complies with the other requirements of Rule 206(4)-3 under the Advisers Act, to the extent required by applicable law. Generally, the terms of such arrangements will vary and cause the Adviser to pay the placement agent a fee equal to a percentage of capital contributions, Management Fees, incentive fees, incentive allocations or a combination of such contributions or fees borne by each investor introduced to a SGAM Fund, SMA or SPE by the placement agent and reimburse the placement agent for expenses incurred by it in connection with such arrangements.

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### **Item 15 – Custody**

Adviser does not have physical custody of any Client assets but may be deemed to have custody of certain Client assets under the Advisers Act Rule 206(4)-2. Since SGAM or one of its affiliates acts as general partner of certain Funds, Adviser is deemed to have custody of the assets of those Funds under the Advisers Act. Adviser maintains the assets of all Clients with qualified custodians, within the meaning of Rule 206(4)-2 under the Advisers Act. The Adviser Funds satisfy reporting requirements under that rule by furnishing audited financial statements annually to all investors in the Funds within time periods required under the rule.

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### **Item 16 – Investment Discretion**

Adviser ordinarily has full discretionary authority, subject to any investment restriction set forth in the Governing Documents for a Client or in the investment management agreement with a Separately Managed Account, to manage and make determinations without obtaining the consent of the Client before the transactions are effected, including but not limited to: (i) buying and selling investment securities conforming to the investment guidelines and restrictions of each Client, (ii) the amount of securities to be bought or sold, (iii) the broker or dealer to be used, and (iv) commission rates paid.

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### **Item 17 – Voting Client Securities**

We have general authority to vote proxies for our Clients. We adhere to our proxy voting policies and procedures that are designed to ensure that such proxies are voted in the best interest of each Client on a case-by-case basis. Adviser makes all voting decisions on behalf of Client accounts based solely on our determination of the best interests of that Client account subject to any specific proxy voting guidelines specifically requested by and agreed upon with SMA and SPE Clients. In limited circumstances, the investors may directly vote proxies on the direction of SGAM.

Upon request, we will provide investors with a copy of our proxy voting policies and procedures which are outlined in our Compliance Manual and Code of Ethics.

### **Item 18 – Financial Information**

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Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of any bankruptcy proceedings.

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

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Not applicable.