

# Bow Street LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Bow Street LLC (“Bow Street”, the “Company”, or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (212) 554-5700. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

Registration with the SEC should not be assumed to imply a certain level of skill or training.

## Item 2: Material Changes

Bow Street LLC is amending this “Brochure” as part of its annual update on Form ADV as an investment adviser for fiscal year ending December 31, 2018. Bow Street LLC is required to identify and discuss any material changes made to its Brochure since the Firm’s last Form ADV Amendment filed on September 12, 2018. There are no specific material changes to report.

## Item 3: Table of Contents

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

## Item 4: Advisory Business

Bow Street is a Delaware limited liability company that was founded in 2011 and is owned by Howard Shainker and Akiva Katz (the “Managing Partners”). Bow Street’s investment objective is to achieve capital appreciation for its clients through a series of targeted investment funds.

Bow Street provides investment advisory services on a discretionary basis to privately offered pooled investment vehicles, including: Bow Street Special Opportunities Fund XI, LP, Bow Street Special Opportunities Fund XII, LP, Bow Street Special Opportunities Fund XIV, LP, Bow Street Special Opportunities Fund XV, LP, Bow Street Special Opportunities Fund XVI Cayman, Ltd, and Bow Street Special Opportunities Fund XIV Cayman, Ltd (a Cayman Islands exempted company that invests a majority of its assets through Bow Street Special Opportunities Fund XIV, LP) (each a “Fund” and together the “Funds”). The LP Funds are organized as Delaware Limited Partnerships. The Firm does not participate in, nor does it sponsor, any wrap fee programs. Bow Street also provides discretionary investment advisory services to separately managed accounts, and acts as a sub-adviser to pooled investment vehicles (“Sub-advised Accounts”) (which, together with the Funds, are referred to herein as “Clients”).

As of December 31, 2018, Bow Street managed \$359,297,104 in regulatory assets under management all of which is managed on a discretionary basis on behalf of its clients.

## Item 5: Fees and Compensation

Bow Street receives compensation for advisory services provided to Clients through a combination of fees based on a percentage of assets under management and performance-based amounts.

Bow Street receives a management fee up to 1.5% per annum based on the value of each investor's capital or shares account. The management fee is paid quarterly in advance based on the net-asset value of the first business day of each calendar quarter. In addition, at the end of each fiscal year, Bow Street or one of its affiliates receives up to a 20% performance fee based on the net increase of each Fund's value subject to a highwater mark. In general, the fees for the Funds are not negotiable. However, fees may be waived or reduced at the sole discretion of Bow Street, such as for eligible employees and their family members and for strategic investors who have made particularly timely, material investments in the Funds or other separately managed vehicles that invest alongside the Funds. In addition to management and performance fees, investors will bear indirectly the fees and expenses charged to the Funds. Those fees and expenses will vary, but typically will include fees associated with fund administration, prime brokerage, legal, accounting, taxes, research and trading.

Further information regarding Bow Street's fees and expenses can be found in each Fund's Confidential Offering Memorandum, Limited Partnership Agreement, or Articles of Association (referred to collectively as "Offering Documents").

Management fees with respect to any Sub-advised account will be calculated in accordance with the terms of Sub-advised Account's investment advisory agreement.

The Funds are offered only to "qualified purchasers," as defined in 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the "Investment Company Act").

Neither the Firm nor any of its supervised persons accept compensation for the sale of securities or other investment products.

## Item 6: Performance Based Fees and Side-by-Side Management

Bow Street or one of its affiliates receives performance-based compensation based on a share of capital gains on or capital appreciation of the client's assets. For Bow Street Special Opportunities Fund XI, Bow Street Opportunities Fund XII, Bow Street Opportunities Fund XIV, Bow Street Special Opportunities Fund XV, and Bow Street Opportunities Fund XVI, Bow Street receives a carried interest distribution or provisional performance allocation equal to a specified percentage for each fund only during a redemption. When a redemption occurs, Bow Street will calculate from inception to date the client's gains to determine if an incentive distribution would be paid under the terms of the applicable agreement.

Performance based compensation may create an incentive for Bow Street to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of performance compensation. In addition, the performance-based compensation is based primarily on realized gains and losses. The Firm manages multiple client accounts, the Funds. Based on the investment objective of each Fund, it is unlikely that more than one Fund will be purchasing the same investment. However, if the Funds' have investment overlap in the future,

the situation may arise where certain Funds may have higher asset-based fees or more favorable performance-based compensation arrangements for the Firm than other Funds. When Bow Street and its investment personnel manage more than one Fund with overlapping investment strategies and different compensation arrangements, a potential exists for one Fund to be favored over another Fund. Under those circumstances, the Firm and its investment personnel would have a greater incentive to favor the Fund that pays the Firm (and indirectly its investment personnel) higher performance-based compensation or fees. Accordingly, the Firm has adopted and implemented policies and procedures intended to address conflicts of interest that may arise relating to the management of multiple Funds, including potentially multiple Funds with different fee arrangements, and the allocation of investment opportunities.

## Item 7: Types of Clients

Bow Street provides investment advisory services to the Funds based on the particular investment objectives and strategies described in the applicable Fund's Offering Documents. Investment advice is provided directly to the Funds, subject to our direction and control, and not individually to the investors in such Funds.

Bow Street seeks to obtain an investor base generally comprised of institutional investors (such as endowments and foundations), fund of hedge funds, private bank clients and high net-worth individuals.

Bow Street has established a minimum dollar amount to invest in each of the Funds. Bow Street's minimum account size and any initial and additional subscription minimums are disclosed in the applicable offering documents for such Fund. At its discretion, Bow Street may waive or alter the minimum investment amount.

Bow Street may from time to time enter into agreements (collectively, "Side Letters") with one or more investors of a Fund which provide such investor with additional and/or different rights (including, without limitation, with respect to management fees, the performance allocations, withdrawals, access to information, minimum investment amounts and liquidity terms).

Bow Street also provides investment advisory services to separately managed accounts, as well as to the Sub-advised Accounts, which may be a portion or all of the assets of another pooled investment vehicle.

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

Bow Street's investment strategies are based on the Company's rigorous fundamental research process which seeks to identify and capitalize on global dislocations and catalysts across fixed income, equity opportunities, and other special situations. Such dislocations and catalysts may result from events and announcements from an issuer, issuer's cash flows, changes in regulations affecting the market or issuer directly, market reaction, poor industry conditions or macro-economic events.

Investments may include long or short positions in U.S. or non-U.S. publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights, convertible securities, , options (purchased or written), futures contracts, debt and equity indices, other forward contracts and other derivative instruments, partnership interests and other securities or financial instruments including those of investment companies, interests in privately-held

businesses, litigation claims, asset and mortgage backed securities, consumer and commercial loans and receivables, high yield investments and related synthetic instruments and credit-linked notes.

Some of the relevant risks associated with this strategy include, but are not limited to, the following:

*Event-Driven Strategy:* The Firm's Clients may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In special situation investing, there exists the risk that the contemplated transaction will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security with a value less than the original purchase price.

Similarly, in liquidations, bankruptcies, recapitalizations and other forms of corporate reorganization, there exists the risk that the reorganization either will be delayed or will result in a distribution of cash or a new security with a value less than the Funds' original purchase price.

*Distressed Securities:* The Firm's Clients may invest in "distressed" securities, claims and obligations of domestic and foreign entities which are experiencing significant financial or business difficulties. Investments may include loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded.

These investments may be in default and involve a substantial degree of risk. A Fund or Client may lose a substantial portion or all of its investment in a distressed environment or may be required to accept cash or securities with a value less than the original investment. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive and can frequently lead to unpredicted delays or losses. The market for distressed securities and instruments is generally thinner and less active than other markets, which can adversely affect the prices at which distressed securities can be sold.

*Equity and Equity-Related Investments:* The Firm's Clients generally target stocks of companies with market capitalizations ranging from \$1 billion to \$5 billion but may invest in smaller companies. Smaller-capitalization stocks may involve higher risks in some respects than do investments in stocks of larger companies. The prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, such stocks may be thinly traded and may be more illiquid than that of larger capitalization stocks.

Bow Street may also utilize equity-related instruments in its investment program. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

*Currency Risks:* The Firm's Clients may invest in certain investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are

trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment, capital appreciation and political developments. The Funds or Clients may try to hedge these risks, but there can be no assurance that a hedging strategy, if implemented, will be effective.

*Real Estate Investment Trusts (“REITs”):* The Firm’s Clients may invest in REITs. Certain REITs have relatively small market capitalizations, which may tend to increase the volatility of the market price of securities issued by these REITs. Furthermore, REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in operating and financing a limited number of projects. REITs depend generally on their ability to generate cash flow to make distributions to investors. REITs may be affected by changes in underlying real estate values, which may have an exaggerated effect to the extent that the REIT in which the Funds invest may concentrate investments in particular geographic regions or property types. Additionally, rising interest rates may cause investments in REITs to demand a higher annual yield from future distributions, which may in turn decrease market prices for equity securities issued by REITs. Rising interest rates also generally increase the costs of obtaining financing, which could cause the value of the Funds’ or Clients’ investment(s) to decline. Further, during periods of declining interest rates, certain mortgage REITs may hold mortgages that the mortgagors elect to prepay, which prepayment may diminish the yield on securities issued by these mortgage REITs.

*Derivatives:* The Firm’s Clients may invest in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions or, in certain circumstances, non-U.S. securities. The Funds may utilize leverage when investing in such assets and may take a credit risk with regard to parties with whom it trades and may also bear the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of the Funds, and hence the Funds should not be exposed to a credit risk with regard to such parties.

*Fixed-Income Securities:* The Firm’s Clients may invest in U.S. and non-U.S. issuers of fixed income securities. The value of fixed-income securities in which the Funds invest will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Valuations of certain fixed-income instruments may fluctuate in response to changes in issuer risk, counterparty credit risk or broader changes to the economic environment that may affect future cash flows.

*Non-U.S. Securities:* The Firm’s Clients may invest in non-U.S. securities. Securities of non-U.S. governments and companies may involve risks and opportunities not typically associated with investing in securities of the U.S. Government or U.S. companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

*Short Sales:* A Client may sell securities short from time to time as part of its investment strategy. Short sales can, in certain circumstances, substantially increase the impact of adverse price

movements on the Clients' portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

*Privately-Held Businesses:* One or more Funds or Clients may invest its assets in a privately-held business. The Client's investment in a private company carries the risk of a loss of capital. No guarantee or representation is made that the Fund's program, including, without limitation, the Client's investment objective, diversification strategies or risk monitoring goals, will be successful.

*Litigation Finance:* Certain of the Funds or Clients may invest in litigation finance, which may comprise of interests in ongoing and potential litigation, the potential purchase of rights to bring or continue to pursue litigation claims, and the making of loans to parties of litigation proceedings, carries risks for the Fund, which can include but are not limited to: Uncertain Outcome of Claims, Case Selection Risk, Evaluation of Cases, Collection Risk, Counterparty/Credit Exposure, Retaliation Risk, Reliance of Third-Party Service Providers, and Well-Capitalized Respondents.

*Leverage:* From time to time, the Funds or Clients may utilize leverage; however, in such cases the Funds do not anticipate using a significant amount of leverage. The use of leverage may expose the Funds to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the Funds not borrowed to make the investments; (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions at a less favorable price or may result in the loss of the entire investment; and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Clients' cost of leverage related to such investments.

Additional information regarding the terms and risks relevant to Bow Street's investment strategy can be found in each Client's Offering Documents or investment management agreements.

## Item 9: Disciplinary Information

There are no material legal or disciplinary events related to the Firm.

## Item 10: Other Financial Industry Activities and Affiliations

Bow Street and its management persons are not registered and do not have any application pending to register as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associate of the foregoing entities.

Except as otherwise disclosed in this Brochure, neither Bow Street nor any of its management persons has a relationship or arrangement that is material to its advisory business or to its clients, the Funds, with any related person.

Bow Street does not recommend other investment advisers for its Clients.

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

Bow Street has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, based on the principle that Bow Street owes a fiduciary duty to its clients. Accordingly, employees of Bow Street must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interest of clients. Therefore, Bow Street endeavors to maintain current and accurate records of all personal securities accounts of its employees in an effort to monitor all such activity.

Bow Street permits its employees to engage in certain personal securities transactions identified in the Company's Code of Ethics. Employees are required to: report personal securities transactions and account statements monthly. They cannot trade in securities which overlap with those held by Bow Street. The Chief Compliance Officer or designee monitors and reviews all employee personal securities transactions to detect potential abuses and to ensure compliance with the Company's personal securities transactions policies and procedures.

A copy of Bow Street's Code of Ethics is available to current and prospective investors upon request.

## Item 12: Brokerage Practices

*Research and Soft Dollars:* Section 28(e) of the Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits an investment manager to use commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Bow Street utilizes "soft dollars" to obtain research and brokerage services within the meaning of Section 28(e).

Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services.

Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between Bow Street and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.



Bow Street has entered into soft dollar arrangements with Tourmaline Partners, LLC, BTIG LLC, and Jefferies LLC. Bow Street utilizes soft dollars to pay for eligible research products, expert network services, economic and financial data, market data, order management system, and trade analytical software.

In some instances, Bow Street may receive a product or service that may be used only partially for functions within Section 28(e) (i.e., “mixed use” items such as Bloomberg Professional Service. In such instances, Bow Street will make a good faith effort to determine the relative proportion of the product or service used to assist the Company in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the “mixed use” product or service attributable to assisting Bow Street in carrying out its investment decision-making responsibilities will be paid through soft dollars and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by Bow Street from its own resources.

In addition, other broker-dealers through which Bow Street executes securities transactions may provide Bow Street with investment research and other products and services (such as standard trading desk access, capital introduction events, etc.) that are generally made available to all institutional investors doing business with such broker-dealers. It is made available to Bow Street on an unsolicited basis and without regard to the rates of commissions or compensation charged or paid by Bow Street or the volume of business Bow Street directs to such counterparties.

Since these products and services are merely made available by trading counterparties as part of a bundled business package to Bow Street, which it may or may not use. It is Bow Street’s understanding that such trading counterparties do not set discrete prices for such products and services. Therefore, Bow Street does not believe it is “paying-up” for such proprietary research and services received by the Company from its various trading counterparties. Accordingly, Bow Street does not separately compensate such broker-dealers for the provision of such services since the broker-dealers do not break out the costs for such services.

*Trade Errors:* To the extent that a trade error occurs, errors resulting in a loss will be borne to the Clients absent Bow Street or an employee’s gross negligence, willful misconduct or violation of applicable laws. Bow Street will endeavor to maintain a record of each trade error, including information about the trade and how such error was corrected.

*Brokerage or Client Referrals:* Bow Street may on occasion receive referrals from a broker-dealer or its affiliates. To prevent brokerage commissions from being used to pay investor referral fees, Bow Street will not allocate brokerage business to a referring broker unless the Company determines in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to Bow Street. The Company mitigates the risk of such conflict by maintaining periodic best execution reviews.

*Directed Brokerage:* The Firm does not permit its clients, the Funds, or investors in the Funds, to provide directed brokerage instruction and does not recommend, request or require clients to execute transactions through specified broker-dealers.

### Item 13: Review of Accounts

All client accounts are reviewed by Bow Street's portfolio managers, Howard Shainker and Akiva Katz, and other investment, operations and accounting personnel on a regular basis. Such reviews are performed to assure conformity with the objectives and guidelines of each Fund and include, among others, cash and position reconciliation, sector exposures and the performance of each Fund.

Trident Fund Services, the administrator to the Funds, provides all Investors with capital account statements on a monthly or quarterly basis, depending on the investment vehicle, and it includes detailed account balances and return information. On an annual basis, Investors are sent the annual audited financial statements prepared by Marcum LLP.

### Item 14: Client Referrals and Other Compensation

Bow Street receives certain research or other products or services from broker-dealers through "soft-dollar" arrangements. These "soft-dollar" arrangements create an incentive for Bow Street to select or recommend broker-dealers based on Bow Street's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by Bow Street on behalf of its clients, the Funds. Please see Item 12 of this Brochure for further information on the Firm's "soft-dollar" practices, including Bow Street's procedures for addressing conflicts of interest that arise from such practices

Bow Street may use third-party firms who provide referrals for investors in the Funds at its discretion. These third-party firms do not overlap any broker dealer with which Bow Street trades on behalf of its clients the Funds. Where applicable, cash payments for Fund investor solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended and related interpretations.

### Item 15: Custody

All Fund assets are held in custody by unaffiliated broker-dealers or qualified custodians. However, Bow Street's General Partner to each of the funds, may be deemed to have custody of the Funds' assets. As such, the Company has developed procedures to ensure the safeguarding and protection of client assets. The Funds are also subject to an annual audit by an independent public accountant registered with and subject to inspection by the Public Company Accounting Oversight Board and the audited financial statements are distributed to each investor annually. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end.

## Item 16: Investment Discretion

Unless otherwise instructed or directed by a discretionary Client, Bow Street generally has discretionary authority to determine, without obtaining specific consent from any Client or its limited partners, the securities and amount to be bought or sold. Any limitations on authority are included in the offering documents.

## Item 17: Voting Client Securities

*Proxy Voting:* Bow Street has implemented written policies and procedures governing the voting of client proxies. The policies and procedures were reasonably designed to ensure that Bow Street votes client securities in the best interest of clients and sets forth how the Company addresses material conflicts of interest that may arise between Bow Street and its clients. The Chief Compliance Officer is responsible for receiving all proxy voting materials, consulting with members of the investment team for proxy voting instructions and is responsible for ensuring that proxies are voted and submitted in a timely manner.

In addition, the Company maintains a record of all proxy votes cast on behalf of clients. If a material conflict of interest over proxy voting arises between Bow Street and a client, the Company's employees will notify the Chief Compliance Officer and a Managing Partner of the conflict. All conflicts of interest will be resolved in the client's best interest. The Chief Compliance Officer may consult outside legal counsel to determine the appropriate resolution.

A copy of Bow Street's Proxy Voting Policy and/or the Company's proxy voting records as it relates to the Funds are available to investors upon request.

## Item 18: Financial Information

This item is inapplicable.

Bow Street has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.