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This brochure provides information about the qualifications and business practices of Saracen Capital LP. If you have any questions about the contents of this brochure, please contact us at 713-579-3939 or info@saracencapital.net. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Saracen Capital LP also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

The main material updates to this brochure, since the brochure dated March 2018, are to reflect updated assets under management, a change in our policy regarding fees for services provided by affiliates, updated risk factors regarding collateralized mortgage obligations and short sales as well as an update to our Code of Ethics. Previously, the Code of Ethics permitted small purchases (that is, what would be considered ‘odd-lot’ purchases) of securities in which we trade without pre-clearance; the Code of Ethics has been updated to require all transactions of such securities to receive pre-clearance (unless such securities are purchased through an account managed by us). We have also provided some additional information regarding potential investor introductions facilitated by third parties as well as two solicitor arrangements. In addition, we have included updated language regarding the use of leverage for the master fund that we manage.

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1. Advisory Business

Saracen Capital LP (the “firm,” “we,” us,” or “our”) is an investment advisory firm structured as a limited partnership. The firm was previously known as Gallant Capital LP and was formed in 2011. The general partner of the firm is TEA Time Investments LLC. The managers of the general partner are Taylor Holladay and L. Andrew Wells. In addition to Mr. Holladay and Mr. Wells, our principal owner is Saracen Energy Advisors LP, a Texas limited partnership owned by Neil Kelley. The firm provides advisory services on a discretionary basis to Saracen Total Return Income Fund LP, a private pooled investment “master fund” in a master-feeder structure that has a domestic feeder fund, Saracen Total Return Onshore Income Fund LP, and an offshore feeder fund, Saracen Total Return Offshore Income Fund Ltd. The feeder funds place all of their investable assets in the master fund and all investment activities and investment discretion is conducted at the master fund level where we act as investment manager to the master fund. In addition, we provide investment advice to separately managed accounts which invest outside of the master fund.

The assets of the master fund are managed in accordance with the investment strategy described in the feeder funds’ offering documents, and the master fund may not otherwise impose restrictions on investing in certain securities or types of securities. The assets of separately managed accounts are managed in accordance with any restrictions contained in an investment management agreement. Our investment strategy for the master fund is to invest principally in U.S. government or government agency and investment grade fixed income securities (including their structured components, for example interest-only strips (IO’s) and principal-only strips (PO’s)) and their respective derivatives. This strategy seeks to benefit from arbitrage opportunities which may exist in the over-the-counter negotiated markets. We may invest a portion of the master fund’s assets in non-government securities such as options, futures, commodities, short positions, ETF’s and other investment grade fixed income products where we believe those instruments have a negative correlation to the core portfolio.

As of February 28, 2019, all of our assets under management (in the master fund and managed separately in managed accounts) are managed on a discretionary basis and total \$404,137,409.

2. Fees and Compensation

We charge the master fund a monthly management fee at an annual rate of 1.0% of the capital account balance of each underlying investor of the feeder funds, calculated and deducted from each investor’s capital account monthly in advance based on an investor’s capital balance as of the first day of the month. Additionally, Caught Looking Investment Partners LP, our affiliate, in its capacity as a general partner of the master fund, is entitled to an annual performance-based profits allocation at the end of each fiscal year, taken at the master fund level, which is calculated and charged separately with respect to each investor. Such profits allocation is equal to 10% of the master fund’s net profits attributable to an investor for such fiscal year that exceed such investor’s Loss Carryforward Amount. The Loss Carryforward Amount is described further below.

The performance allocation has been waived for certain limited partners and may be waived or reduced in the future with respect to any investor by the general partner in its sole discretion. The annual performance-based profits allocation is only charged to investors who meet the definition of a “Qualified Client” as defined in Rule 205-3 of the Investment Advisers Act of 1940.

With respect to Saracen Total Return Onshore Income Fund LP, the “*Loss Carryforward Amount*” for any fiscal year equals the aggregate unrecovered net losses allocated to a limited partner’s capital account during any preceding fiscal year. If a limited partner makes a withdrawal from its capital account at a time when there is a Loss Carryforward Amount, such Loss Carryforward Amount will be reduced in the same proportion that the withdrawal amount bears to the limited partner’s total capital account balance immediately prior to the withdrawal. The Loss Carryforward Amount will be calculated before deduction of the performance allocation but after deduction of the management fees and other accrued expenses of the fund and the master fund for the current period and will include realized and unrealized gains and losses, in each case adjusted for any dividends and distributions. The performance allocation is calculated and charged to each limited partner as of the last day of each fiscal year. The performance allocation is also calculated and charged with respect to any limited partner permitted or required to withdraw as of any time other than the last day of a fiscal year on the basis of net profits allocated to such limited partner through the date of withdrawal. In the case of a partial withdrawal, the performance allocation is calculated and charged only with respect to the portion of the capital account being withdrawn. A transfer of a limited partner’s interest will generally be treated as a withdrawal of such interest. The performance allocation is calculated and allocated at the master fund level through the use of separate capital sub-accounts within the domestic fund’s capital account in the master fund that correspond to the limited partner interest of each limited partner in the domestic fund. Any performance allocation is deducted from the limited partner’s capital account.

With respect to Saracen Total Return Offshore Income Fund Ltd., a “*Loss Carryforward Amount*” is attributable to a share if the Net Capital Appreciation with respect to such share is a negative amount. “*Net Capital Appreciation*” applicable to a share means the amount by which the pro rata net asset value of the fund applicable to such share on the last day of the fiscal year (or on the redemption date, if applicable) exceeds the higher of the following amounts: (i) the highest pro rata net asset value of the fund applicable to such share as of the commencement of any fiscal year and (ii) the issue price of such share. The Loss Carryforward Amount will be calculated before deduction of the performance allocation but after deduction of the management fees and other accrued expenses of the fund and the master fund for the current period and include realized and unrealized gains and losses, and in each case adjusted for any dividends and distributions, recapitalizations and other similar events. In order to facilitate the calculation of the performance allocation with respect to each share outstanding during a fiscal year, the performance allocation will be computed separately with respect to each series of shares. Thus, for example, if a series of shares of the fund which were outstanding for both the current fiscal year and the prior fiscal year experienced a net profit for the current fiscal year but failed to recover fully to a higher net asset value that prevailed at the commencement of any prior fiscal year, no performance allocation would be charged with respect to those shares. On the other hand, a performance allocation would be charged on the profits achieved with respect to any series of shares originally issued at or subsequent to the commencement of the current fiscal year. The performance allocation is also calculated and debited (i) with respect to any shareholder permitted or required

to redeem or transfer shares and (ii) with respect to a shareholder making a partial redemption or transfer of shares, as of any time other than the close of a fiscal year on the basis of net profits allocated to the applicable series of shares through the redemption date or transfer date (but only with respect to the shares redeemed or transferred in the event of a partial redemption or transfer).

In addition, the master fund bears all costs and expenses directly related to its investment program, including expenses related to proxies, underwriting and private placements, brokerage commissions, interest on debt balances or borrowings, custody fees, the fees and expenses of risk and portfolio management systems, any withholding or transfer taxes and all expenses incurred in connection with locating, evaluating and implementing potential investments, including travel, software subscriptions and other research-related expenses. The master fund also bears all out-of-pocket costs its administration and operation, including accounting, audit and legal expenses; costs of any litigation or investigation involving the master fund's activities; and costs associated with reporting and providing information to investors and prospective investors. The feeder funds bear all such costs and expenses as well.

For additional information regarding brokerage costs, see "*Brokerage Practices.*"

The separately managed accounts currently bear a management fee calculated and payable similarly to the management fee for the master fund. Any separately managed account traded in parallel with the master fund will typically bear a 1.0% management fee on an annual basis (although such fee may be reduced for certain participants). The management fees for any separately managed account with a different strategy (that is, not traded in parallel with the master fund) may vary depending on the strategy for such account. Any additional separately managed accounts managed by us will likely also bear a management fee calculated in the same manner.

3. Performance-Based Fees and Side-By-Side Management

Caught Looking Investment Partners LP, our affiliate, receives a performance-based profit allocation with respect to the master fund as described in "*Fees and Compensation*" above. The performance-based allocation is calculated based on capital gains or capital appreciation of the master fund's assets.

One of the two separately managed accounts we currently manage also pays performance-based compensation calculated similar to the method described for the performance-based profit allocation made by the master fund, provided, that not all participants in such account pay such compensation. Because we manage more than one account with varying fee structures, we face a potential conflict of interest in that we may have an incentive to favor those accounts which have the potential for generating the highest fees. However, we allocate investment opportunities that are appropriate for multiple accounts in accordance with a written investment allocation policy in order to address that potential conflict. The investment allocation policy provides that investment opportunities will be allocated among accounts we manage on a basis believed to be fair and equitable to each of our clients, without preferential treatment given to any client and without regard to the impact on us (for example, with respect to proprietary accounts or resulting performance based compensation). Generally, this means that investments will be allocated among the participating accounts (that is, those accounts for which the investment is appropriate in

accordance with the strategy of the account) pro rata based on the assets available for investment in each account, but deviations may occur as we consider the portfolio construction of the participating accounts and other factors affecting the suitability of the investment opportunity for each account.

On occasion, we may determine that it is in the best interests of our clients to engage in cross trades among our clients, that is, a transaction occurring between two different clients or accounts that we manage. These types of securities cross transactions will only be used when it can be determined that doing so would achieve “best execution” and benefit the clients involved by saving commissions, market impact costs and other transaction charges. While we anticipate that there are limited circumstances where cross trades would arise (for example, upon the liquidation of a separately managed account), we may engage in such cross trades as long as neither we nor any of our affiliates receive any additional fees or compensation and as long as such transactions are conducted on an arm’s length basis at pricing consistent with our valuation policy and procedures. In the event the cross trade would be a “principal transaction”, we will first disclose the transaction to investors in the feeder funds and will not proceed with the transaction without the consent of the master fund, as granted by not less than a majority of such feeder fund investors.

Performance-based fees may create an incentive for us to recommend an investment that may carry a higher degree of risk to the client.

4. Types of Clients

We provide investment advisory services on a discretionary basis to a private pooled investment fund, which is structured as a master fund. A domestic private investment fund and an offshore private investment fund both feed into the master fund using a master-feeder structure. Each of the feeder funds requires a minimum initial subscription of \$1,000,000, although investments of a lesser amount have been, and may in the future be, accepted at the discretion of the general partner or directors of the fund, as applicable.

We also advise separately managed accounts outside of the master fund for investors who wish to utilize our experience investing in substantially the same, if not identical, types of securities as the master fund. The minimum amount for such an account varies.

5. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies:

The objective of the master fund is to seek total returns significantly in excess of the treasury curve, while providing liquidity, by employing trading and arbitrage strategies in mortgage-backed government agency securities and their derivatives. The objective of separately managed accounts will typically be similar to the objective described herein for the master fund, but will be governed by the investment management agreement between us and the client with respect to the separately managed account. Accordingly, the description that follows may generally apply to separately managed accounts, but will more specifically apply to the master fund.

We invest in government agency securities and their derivatives and employ a strategy that seeks to benefit from arbitrage opportunities which may exist in the over-the-counter negotiated markets. While we principally invest in government agency mortgage-backed securities (including their structured components, for example interest-only strips (IO's) and principal-only strips (PO's)), a part of our strategy may be the use of instruments other than government securities which we believe offer a hedge to the broader portfolio. Such instruments which may include, but are not limited to, options, futures, commodities, short positions, ETF's and other investment grade fixed income products. These securities may not be related in type to the master fund's core holdings, but would target negative correlation to create hedged positions. Accordingly, there will be no restrictions on which securities we may trade on behalf of the master fund.

When we consider it appropriate, the clients may utilize leverage as part of the trading activity that we manage. For the master fund, we utilize leverage provided through the master fund's prime broker(s) or third party brokers of up to approximately one times the equity in the fund. We focus on highly rated investments, predominately utilizing government agency issued mortgage backed securities, which carry little credit risk, and are expected to be affected by broad economic, political and social trends. Although preservation and growth of capital is our primary objective, we will also consider alternatives to achieve a desirable total return on a client's investments.

The policies we employ implement a capital preservation model, which holds preservation of principal above maximization of returns. However, as with any investment, there is no assurance that the trading strategy utilized for a client will result in profitable trading or avoid losses or that an investor will not lose a portion or all of its investment in a client.

Risk Factors:

General Investment Risks. All investments risk the loss of capital. No guarantee or representation is made that our program will be successful and investors bear the risk of loss of their entire investment. Investment results may vary substantially over time.

Concentration of Investments. We have broad discretion over the master fund's investment program and may choose to allocate substantial portions of its assets into a particular investment. In addition, we may be granted broad discretion with respect to a separately managed account and may choose to allocate substantial portions of its assets into a particular investment. Such an occurrence may result in more rapid changes in a client's portfolio, upward or downward, than would be the case with greater diversification, with the result that a loss in any such position could have a material adverse impact on such client's capital. We may also make similar market timing decisions and asset allocation decisions regarding the investments, including, for example, a concentration in a certain class of structured mortgaged-backed securities or securities representing a particular geographic location or other singular identifying characteristic. We are not restricted by any diversity requirements or concentration limitations.

Turnover. We may invest on the basis of short-term market considerations. The portfolio turnover rate of these investments may be significant, potentially involving substantial brokerage commissions and fees. We will not receive a portion of such commissions and fees.

Fixed Income Securities. Fixed-income securities provide periodic income and the eventual return of the principal at the end of the term. The value of fixed-income securities changes in response to interest rate fluctuations and market perception of the issuer's ability to pay off its obligations. Fixed-income securities are subject to the risk that their issuer may be unable to make interest or principal payments on its obligations.

Mortgage-Backed Securities. Mortgage-backed securities represent an interest in a pool of mortgages. When market interest rates decline, more mortgages are refinanced and the securities are paid off earlier than expected. Prepayments may also occur on a scheduled basis or due to foreclosure. When market interest rates increase, the market values of mortgage-backed securities decline. At the same time, however, mortgage refinancings and prepayments slow, which lengthens the effective maturities of these securities. As a result, the negative effect of the rate increase on the market value of mortgage-backed securities is usually more pronounced than it is for other types of fixed-income securities.

Collateralized Mortgage Obligations and Tranches. The mortgage-backed securities in which we principally trade for our clients are derivative instruments called collateralized mortgage obligations (referred to as "CMOs"), which are comprised of different pools of securities or "tranches". Unlike traditional "pass-through" mortgaged-backed securities (which 'pass-through' the mortgage payments received to investors in such instruments), the tranches of CMOs have different characteristics and corresponding risk factors. Typical tranches include interest-only strips (which receive only interest payments from the underlying mortgages) and principal-only strips (which receive only principal payments from the underlying mortgages). Interest-only bonds will typically increase in value when interest rates rise, whereas principal-only bonds will typically increase in value when interest rates decline. Similarly, prepayments and other factors which affect the value of mortgage-backed securities will impact the varied tranches of a CMO differently. CMOs are desirable in a portfolio as a means to generate returns as well as hedge the portfolio, but do provide for additional risks that are not present in traditional pass-through mortgage-backed securities.

Prepayment Risk. As noted above, mortgage-backed securities are subject to prepayment risk, or the risk that the principal will be paid down prior to the maturity date of the bond, changing the expected payment schedule of the security (and anticipated coupon yield over the life of the bond). Changes in interest rates typically affect prepayments, as falling interest rates will often result in refinancings that pay down the original collateral for the previously issued mortgage-backed securities. Some prepayment risk is mitigated because we do not typically intend to hold mortgage-backed securities to maturity, but prepayment risk can still affect the market value of a security.

Credit Risk. The safety of a fixed-income investor's principal depends on the issuer's credit quality and ability to meet its financial obligations. Issuers with lower credit ratings usually have to offer investors higher yields to compensate for the additional credit risk. A change in either the issuer's credit rating or the market's perception of the issuer's business prospects will affect the value of its outstanding securities. U.S. Treasury bonds and those issued by U.S. government agencies typically have a very low risk of default, as they are backed by the U.S. government or

the government agency issuer; however, in limited circumstances, rating agencies have downgraded the rating of U.S. Treasuries. This can affect the credit quality of government agency issued bonds as well. Because of our focus on U.S. government agency securities, the credit risk of a client's portfolio should remain low.

Interest Rate Risk. Because the fixed-income securities in a client's account will not typically be held until maturity, such securities will be subject to interest rate risk. The current market value of fixed-income securities will usually be inversely affected by movements in interest rates. When interest rates are rising, the market prices of existing bonds will typically fall as new bonds are issued with higher yields as a result of the increasing rates, thus making the existing bonds less attractive. When interest rates are falling, market prices of existing bonds will typically rise, because the higher rates on the existing securities are now more attractive to investors, and investors may be willing to pay a premium for such securities. Changes in interest rates will also impact our ability to reinvest amounts in a client's account; for example, in a falling rate environment, the securities available to us will likely be lower rate securities than those previously held in the client's account.

Market Conditions. While the U.S. has experienced economic recovery since the financial crises (domestic and abroad) in recent history, financial markets continue to reflect some economic fragility. Potential changes in regulatory regimes also reinforce this uncertainty. The master fund, its prime broker(s) and other financial institutions' financial condition may be adversely affected by this general uncertainty and/or specific changes in the regulatory landscape and they may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on our business and operations.

Illiquid Investments. While the mortgage-backed securities market is generally very liquid, investments made by our clients in particular mortgage-backed securities may be less liquid as such instruments are not traded on an exchange or via other automated means. Accordingly, circumstances could arise where such securities become illiquid or we may not be able to sell such investments at prices that reflect our assessment of their value or the amount paid for such investments initially. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale and other factors.

Leverage. Subject to applicable margin and other limitations, we borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of a client's portfolio are amplified. Interest on borrowings will be a portfolio expense of a client and affect the operating results of a client. Also, we could potentially create leverage via the use of instruments such as options and other derivative instruments.

Short Sales. We may enter into transactions, known as "short sales," in which we sell a security we do not own in anticipation of a decline in the market value of the security. Short sales that are not made "against the box" theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. We may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, we might have difficulty purchasing securities to meet the short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet the

short sale obligations at a time when fundamental investment considerations would not favor such sales. Typically, we only enter into short sales as a hedging component of a broader strategy.

Derivatives. Derivative instruments, or “derivatives,” include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies, mortgage collateral or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose a client to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts and to counterparty risk. The counterparty risk lies with each party with whom a client contracts for the purpose of making derivative investments. In the event of a counterparty’s default, a client will only rank as an unsecured creditor and risk the loss of all or a portion of the amounts they are contractually entitled to receive.

Options. Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market’s perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor’s entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value.

Valuations. From time to time, certain situations affecting the valuation of investments that we make (such as limited liquidity, unavailability or unreliability of pricing information and acts or omissions of service providers) could have an impact on the net asset value of a client’s account, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed. We are not required, in the master fund or in separately managed accounts, to make retroactive adjustments to prior subscription or redemption transactions or management fees or performance allocations based on subsequent valuation data.

In addition, the mortgage-backed securities in which we principally invest are not traded on an exchange or similar platform that allows for regular, transparent pricing information. Further, such securities are unique based on their terms and underlying collateral (contrasted with the uniform, fungible nature of one class of equity securities, for example) such that pricing

information from pricing services or resources will necessarily be generic to a class of assets rather than specific to a particular instrument held in an account. These characteristics of these securities make the valuation such assets less explicit than might be the case for other asset classes. In order to properly determine net asset value for client accounts, we (or one of our affiliates as general partner of the master fund) are materially involved in, and ultimately responsible for, the pricing of these securities. Such pricing information is derived to a material extent from our internal models and/or market judgment and is prepared in accordance with a valuation policy. Because our compensation is calculated based on the valuation derived from this pricing information which originates with us, a conflict of interest exists as we are incentivized to inflate the valuation of the securities held in accounts we manage. We mitigate this conflict by adhering to our valuation policy which sets forth the means through which the securities are valued and the back-up that is required for such pricing. In addition, the administrator for the master fund reviews the pricing information on a monthly basis, and the valuation information for all securities in the master fund is audited as part of the master fund's annual audit.

6. Disciplinary Information

We have had no disciplinary or legal events.

7. Other Financial Industry Activities and Affiliations

We are the investment adviser to a private pooled investment fund. In addition, our affiliate, Caught Looking Investment Partners LP, a Texas limited partnership, serves as the general partner of the private investment fund. The performance allocation paid to the general partner (our affiliate) may create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of such performance allocation.

We address this potential conflict of interest by fully disclosing the relationship among the general partner, us and the master fund in the feeder funds' offering documents. Although the principals' control of the investment adviser and the general partner may give them heightened control and discretion over the master fund, they manage any potential conflicts of interest by strictly adhering to the investment strategy and business philosophy discussed in the feeder funds' offering documents. In addition, the general partner entered into the investment management arrangement with us on behalf of the master fund. While this may be an interested party agreement, the material terms of the investment management arrangement are fully disclosed to all investors in the feeder funds prior to their investment.

8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

We have adopted a written Code of Ethics designed to address and avoid potential conflicts of interest as required under the Investment Advisers Act of 1940, as amended. If requested, we will provide at no cost a copy of our Code of Ethics.

Our Code of Ethics contains policies and procedures that ensure all personal securities trading by our employees is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. We require pre-clearance before purchasing an IPO or a new private placement, require periodic reporting of

employees' personal securities transactions and holdings and require prompt internal reporting of Code violations.

Our employees may invest in securities for their own accounts that are the same as securities transacted in the accounts of our clients (but cannot purchase or sell securities from or to our clients except with the consent of the involved clients, as described below). A potential conflict of interest could arise if our employees' transactions are material and adversely impact the execution prices for our clients. Accordingly, certain restrictions apply to our employees which we have defined as access persons. Our access persons may only initiate a position in a security that we also determine at that time to be appropriate for our clients contemporaneously with or after our clients' purchase or sale of such securities, as the case may be. The purchase of any such securities requires pre-approval from our chief compliance officer if such transactions are not done through a client managed by us. For any of our clients, including those in which our related persons and access persons are invested, we allocate investment opportunities pursuant to an investment allocation policy.

In any circumstance where a related party seeks to buy a security from, or sell a security to, one of our clients, that transaction may be a cross trade and a "principal transaction". Principal transactions present a potential conflict of interest in that the principal (us or our related party) may be seeking to sell overvalued securities to a client, or buy undervalued securities from a client, in each case to the principal's benefit. In order to reduce the potential for such a conflict with a proposed principal transaction, we will first disclose the transaction to investors in the feeder funds and will not proceed with the transaction without the consent of the master fund, as granted by not less than a majority of such feeder fund investors.

9. Brokerage Practices

We have appointed Cantor Prime Services as the prime broker for the master fund. We may appoint other banks, brokers, dealers, custodians and other counterparties for the master fund at our sole discretion without notice to the master fund. The prime broker for separately managed accounts may vary and may be determined by the client.

In placing portfolio transactions, we will seek to obtain the best execution for our clients, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria. In addition, subject to our obligations to seek best execution, we may consider referrals of investors in selecting brokers.

Currently, we do not anticipate receiving any "soft dollar" benefits from our prime broker. However, we are authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide us with such investment and research information or to pay higher commissions to such firms if we determine such prices or

commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. We are not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by us, and our fee is not reduced as a consequence of the receipt of such supplemental research information. Since commission rates in the United States are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

In addition to research services, we may be offered other non-monetary benefits by broker-dealers that we may engage to execute securities transactions on behalf of a client. The availability of these benefits may influence us to select one broker rather than another to perform services for a client. Nevertheless, we will attempt to assure either that the fees and costs for services provided to a client by brokers offering these benefits are not materially greater than they would be if the services were performed by equally capable brokers not offering such services or that a client also will benefit from the services.

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

The use of brokerage commissions to obtain investment research services creates a conflict of interest between us and a client, because the client pays for such products and services that are not exclusively for the benefit of such client and that may be primarily or exclusively for the benefit of us or other clients. To the extent that we are able to acquire these products and services without expending our own resources (including management fees paid by the client), our use of “soft-dollars” would tend to increase our profitability. In addition, the availability of these non-monetary benefits may influence us to select one broker rather than another to perform services for the client. Although we have received, and may continue to receive, introductions to potential investors from our prime broker, we do not currently receive referrals for clients from any broker-dealers. In the future, we may use a broker where such broker, a division or affiliate of the broker referred or may refer investors to the master fund or the feeder funds. This may give us an incentive to select those

brokers that refer investors to our clients. To avoid this potential conflict of interest, we select brokers based on the criteria set forth above and may enter into a separate referral or similar agreement with such broker so that the brokerage activities are separate from any client referral activities. We seek to aggregate the purchase or sale of the securities for the clients and then allocate the securities purchased (or sold) among the clients so that each client receives the same terms. We will also seek to execute orders for all participating clients on an equitable basis. If we invest in the same security during the same business day for more than one client, we seek to aggregate the purchase or sale of instruments and then allocate the investment purchased (sold) among the clients so that each participating client receives the same terms. Similarly, if an order on behalf of more than one client cannot be fully executed under current market conditions, we generally will seek to allocate the trade among the different participating clients on a pro rata basis. Generally, our clients (and any future client accounts) can benefit when we aggregate trades because we may get volume discounts on execution costs. It is important to recognize that situations may occur where one client could be disadvantaged because of the investment activities we conduct for other client accounts.

10. Review of Accounts

The fund manager reviews our clients' accounts at least once per month. In addition, our clients' accounts will be reviewed on a more frequent basis as trading decisions are made in order to evaluate the composition of the account portfolio and further transactions that are appropriate within such portfolio.

The funds' administrator will provide the investors in the feeder funds with written monthly reports of their net asset value. In addition, such investors will receive audited financial statements of their applicable feeder fund annually.

11. Client Referrals and Other Compensation

Individuals or companies may be compensated for referrals provided they are registered broker/dealers or investment advisors eligible to receive compensation for client referrals.

We have entered into a written agreement with David A. Noyes & Company pursuant to which we have engaged them to solicit investors for the feeder funds. As compensation for such services, with respect to any referred investors which invest with us, David A. Noyes & Company will be paid 25% of the management fees and performance based compensation paid with respect to such investor to us, such amounts to be paid until the referred investor withdraws or redeems its interest in our fund. The payment of such fees to do not result in any increased or additional charge to the referred investor.

We have also entered into a written agreement with USCA Securities LLC pursuant to which we have engaged them to solicit investors for the feeder funds. As compensation for such services, with respect to any referred investors which invest with us, USCA Securities LLC will be paid 25% of the management fees paid with respect to such investor to us, such amounts to be paid until the referred investor withdraws or redeems its interest in our fund. The payment of such fees to do not result in any increased or additional charge to the referred investor.

In addition, we have received, and may continue to receive, investor introductions from our prime broker's capital introduction group. We have also attended investor conferences arranged by capital introduction groups. We do not pass on to any clients any costs or payments associated with investor introductions.

12. Custody

While it is our practice not to accept or maintain physical possession of any client assets, we are deemed to have custody of the master fund's assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because we have the authority to access the master fund's funds and deduct fees and expenses from its accounts. We may also be deemed to have custody of assets in our clients' separately managed accounts, depending on the structure of such account.

In order to comply with Rule 206(4)-2, we utilize the services of a bank or qualified custodian (as defined under Rule 206(4)-2) to hold all client assets. The custodian sends monthly statements to the client. The client should carefully review these statements. The custodian does not send statements directly to investors in the feeder funds. In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit the master fund's accounts at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all investors in the feeder funds as soon as practicable after the end of the fiscal year.

13. Investment Discretion

Our investment advisory contract with the master fund contains language whereby the master fund grants us broad discretionary power to manage the account. We adhere to the investment strategy set forth in the feeder funds' offering documents.

All investors in the feeder funds are provided a private placement memorandum that sets forth, in detail, the client's investment strategy and program. By completing subscription documents to acquire a limited partner interest or shares in a feeder fund, investors execute a power of attorney and give us complete authority to manage their investments in accordance with the relevant offering documents.

Trading authority for the clients outside of the master fund is set forth in investment management agreements or other governing documents of the respective client. We do not manage any assets on a non-discretionary basis.

14. Voting Client Securities

In limited circumstances, our clients may hold securities for which we have an opportunity to exercise voting rights. It is our policy to exercise such voting authority in the manner which we believe will maximize value for the client holding such securities. As holding voting equity securities of an issuer is not a primary focus of our investment strategy, there may be circumstances where we determine that our clients' position is immaterial relative to the outstanding securities of

the issuer and that it is in our clients' best interest to abstain. If a proxy vote creates a potential material conflict between our interests and the interests of our clients, we will resolve the conflict before voting the proxy either by obtaining the consent of the client or taking other reasonable steps to minimize the impact of the conflict. A copy of the proxy voting policy is available upon request. Further, upon request, we will provide a record of how proxies have been voted on the applicable client's behalf.

15. Financial Information

We are not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.