

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

**April 23, 2024**

**Nokota Management, LP**

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Nokota Management, LP is an investment adviser that is registered with the United States Securities and Exchange Commission (SEC). Registration with the SEC does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Nokota Management, LP. If you have any questions about the contents of this brochure, please contact us at (212) 291-6700. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Nokota Management, LP also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

There have been no material changes to this brochure since the last filing.

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#### **Item 4: Advisory Business**

Nokota Management, LP, a Delaware limited partnership (the “firm,” “we,” “us,” or “our”), is an investment adviser that was founded in 2011. The firm is principally owned by Matthew Knauer.

We currently provide investment management services to an onshore private investment fund that invests through a single master fund. The onshore feeder fund places all of its investable assets in the master fund, (the “clients”), 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 to advising the funds, the firm also advises Nokota LD, LLC (the “LD Fund”) and Nokota LC, LLC (the “LC” Fund). The LD Fund and the LC Fund hold “participating interests” in the Nokota Capital Master Fund, L.P. for redeeming investors. The LD Fund represents the participating assets that are due to redeeming investors from Nokota Capital, LP, and the LC Fund represents the participated assets that are due to redeeming investors from the former Nokota Capital Offshore Fund, Ltd.

The assets of the master fund are managed in accordance with the objectives and policies described in the respective offering documents of the feeder funds.

We do not participate in any wrap-fee programs.

As of December 31, 2023, we managed Regulatory Assets Under Management (“RAUM”) of \$314,667,830 on a discretionary basis. We do not manage any assets on a non-discretionary basis.

#### **Item 5: Fees and Compensation**

This brochure is only delivered to qualified purchasers and therefore does not contain our advisory service fee schedule.

Our firm receives a management fee based on a percentage of assets under management, calculated and payable quarterly in advance. Investors admitted into a feeder fund other than on the first day of a calendar quarter are subject to a prorated management fee. We do not provide management fee refunds to investors who withdraw or redeem from the funds prior to the end of a quarter, nor would we provide management fee refunds if the advisory contract is terminated before the end of a billing period. The management fee is charged to the master fund, and no separate management fee is charged at the feeder fund level.

Nokota Management, LP does not receive a management fee or performance-based fee from LC or LD.

Our affiliate, Nokota Capital GP, LLC, receives performance-based compensation from the master fund based on a percentage of each feeder fund investor's annual net realized and unrealized profits at the end of each year or upon a withdrawal or redemption if prior to the end of the year (but only on the amount withdrawn or redeemed), subject to a high water mark limitation. No separate performance-based compensation is charged at the feeder fund level.

Our fees are generally non-negotiable, but we have the discretion to waive all or a portion of the management fee and/or the performance-based compensation.

Each fund bears all of its own organizational and operational expenses, including, without limitation:

- legal fees (including settlement costs);
- costs of any litigation or investigation involving the fund's activities;
- filing fees and expenses;
- accounting costs (including tax preparation and audit expenses);
- administration costs;
- insurance costs
- costs associated with reporting and providing information to investors;
- costs of preparing required regulatory filings;
- withholding and/or transfer taxes; and
- other out-of-pocket expenses.

In addition to the foregoing, each feeder fund also bears its pro rata share of the master fund's expenses.

The master fund also bears all of its investment-related expenses where applicable, including, without limitation:

- proxy expenses;
- expenses related to underwriting and private placements;

- brokerage commissions;
- interest on debit balances or borrowings;
- custodial fees;
- the fees and expenses of risk and portfolio management systems; and
- expenses incurred in connection with locating, evaluating and implementing potential investments, including software subscriptions and other research-related expenses

Expenses are allocated among funds in proportion to their participation in a particular investment, in proportion to their respective net asset values, or in such other manner as our firm determines to be equitable.

For more information on brokerage transactions and costs, please see Item 12: Brokerage Practices.

The feeder funds have in the past and may again in the future charge an early withdrawal or redemption reduction ranging from 3% to 5% of the amount withdrawn or redeemed, which amount will be retained by the fund for the benefit of the remaining investors.

Neither our firm nor any of our principals or employees receives any transaction-based compensation for the sale of securities or other investment products.

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

Our affiliate, Nokota Capital GP, LLC, receives performance-based compensation from the master fund, as described in Item 5: Fees and Compensation. No separate performance-based compensation is charged at the feeder fund level. We do not have any clients that are not directly or indirectly charged performance-based compensation, though certain investors who are employees of the fund may have investments that are not charged certain fees. However, different client accounts are subject to different performance-based compensation arrangements. The existence of the performance-based compensation may create an incentive for us to make riskier or more speculative investments. If we (or an affiliate) are entitled to receive a higher percentage of the net profits of the account of one client than of another client, then we may have an incentive to favor, or to allocate certain riskier or more speculative investments to, the client that is subject to the higher percentage. However, we anticipate that all accounts will generally be invested on a substantially parallel basis, except as otherwise discussed with or agreed to by

a particular client, and we will, as a policy, allocate all investment opportunities among our clients in a manner that we consider to be fair and equitable to all clients, considering all factors potentially applicable to each client. Among the factors that we may consider in allocating trades among client accounts are: investment policies, guidelines or restrictions applicable to each specific client; tax considerations; cash availability; liquidity requirements for payment of redemptions or other purposes; risk tolerances; restrictions under ERISA or other applicable laws or regulations; available credit lines; counterparty arrangements; account size; and hedging objectives and activity.

#### **Item 7: Types of Clients**

We currently provide investment management services to an onshore feeder fund that invests through a single master fund. The onshore feeder fund places all of its investible 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.

To invest in any of the feeder funds, we generally require a minimum investment of \$25,000,000, although we have the discretion to accept less.

This brochure is not an offer to invest in our funds.

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

##### **A. Method of Analysis/Investment Strategy:**

We use fundamental analysis to identify both absolute and relative pricing inefficiencies globally across the capital structure (credit, equity, derivative, and other financial instruments). We intend to achieve our investment objective with the combination of the required discipline of distressed/value investing complemented by low volatility portfolio construction.

We invest in companies globally that operate in a wide range of industries. To increase the performance potential of the master fund while mitigating general market risk and volatility, we employ a hedged approach, taking short positions as well as long positions. We also expect to use modest leverage, though our use of leverage may increase or decrease substantially from time to time depending on market conditions. Frequent trading of securities generally increases brokerage and other transaction costs and taxes, which may serve to decrease investment performance.

As part of our fundamental approach to investment selection, investment personnel perform a number of tasks that may include, as appropriate: interviews with a company's management team; background checks on key executives of the management team; discussions with a company's suppliers, customers and competitors; analysis of the assets on a company's balance sheet or an underlying asset-backed security or structured product; a detailed review of a company's products and services; and consultation with industry professionals and advisors. In addition, investment personnel analyze a company's historical financial information in comparison to its internal revenue growth, free cash flow generation, consistency of earnings growth, and return on invested capital. This investigation and analysis are used to develop a multi-year financial model forecasting a company's earnings and cash flows and prospective growth rates.

Because of the possibility of unlimited loss when taking short positions we give careful consideration to the risk of loss should a short position prove to be incorrect.

We use leverage to both magnify and mitigate the effects of our investment selections, though our use of leverage may increase or decrease substantially from time to time depending on market conditions. We have in the past and expect to again, in the future, obtain leverage on behalf of the master fund including, without limitation: borrowing money against long positions (margin debt) in order to purchase additional long positions; borrowing securities in connection with short positions; purchasing options; entering into swap arrangements or other contracts to provide long exposure; entering into securities lending arrangements and repurchase financing transactions.

We aim to diversify the master fund's portfolio as a whole and also within broad industry groups and geographic regions. Diversification by industry and geography is intended to be accomplished through the broad definition of the master fund's universe of potential investments.

We invest in equity, debt and credit instruments on behalf of the master fund. Debt instruments may be publicly traded or privately issued obligations and may include, among other things: senior secured floating rate loans, second-lien loans, fixed rate obligations, bonds and other debt obligations including high-yield bonds, bridge loans and debt obligations of stressed, distressed and bankrupt issuers and credit derivatives. In addition, we have in the past and may again in the future invest in non-corporate asset-backed securities, structured products, preferred instruments and derivatives thereof, to the extent we believe that such investments are predicated on our core competencies in valuation, financial modeling, and industry research. These instruments may be backed by mortgages, credit-card or



auto loans, or other claims, and may be purchased in tranches that range from very junior to very senior in their recovery rights. We have in the past and may also again in the future make use of over-the-counter and exchange-traded instruments relating to equities and equity indices (including, without limitation, derivative instruments such as options, swaps, and futures), principally as a means of quickly and temporarily adjusting the risk profile of the master fund and SMA, though such investments may also be held for extended periods to express a specific market view. The master fund and SMA will also hold cash and cash equivalents.

From time to time, we invest in non-U.S. currencies, sovereign fixed income securities or physical commodities, or derivatives related to such instruments. These instruments will typically be considered as a hedge against inflation, currency, or other risks, but have in the past and may again in the future be purchased to execute an investment thesis as well. We also have and likely will in the future, acquire equity securities that are not publicly traded. These securities may be issued by private companies or may be privately issued securities of public companies.

Investing in any securities involves a risk of loss that our clients and the investors in our feeder funds must be prepared to bear.

#### B and C. Risk Factors:

The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in our investment strategies. Prospective investors are urged to consult their professional advisers and review the legal documents for each client before deciding to make an investment.

*Substantial Changes in Regulation.* Regulation of securities markets has undergone substantial change in recent years, and is expected to continue to change. There can be no assurance that we will be able, for financial reasons or otherwise, to comply with future laws and regulations.

*Limited Rights of Investors.* Substantially all decisions with respect to the management of the funds are made exclusively by us. Investors have no right or power to take part in the management of the funds. We also make all of the trading and investment decisions for client accounts. In the event of our withdrawal or bankruptcy, generally the funds will be liquidated.

*No Distributions.* Since the funds do not generally intend to pay distributions, an investment in the funds is not suitable for investors seeking current distributions of income.

*Business Disruption Due to Pandemics.* The success of clients' investment strategies could be significantly impacted by changing external economic conditions in the United States and globally. The stability and sustainability of growth in global economies may be impacted by terrorism, acts of war, pandemics or other unforeseen disasters. Changing economic conditions could potentially adversely impact the performance and valuation of portfolio holdings. In addition, the availability, unavailability, or hindered operation of external credit markets, equity markets, and other economic systems may have a significant negative impact on portfolio operations and profitability. There can be no assurance that such markets and economic systems will be available as anticipated or needed for us to operate and manage portfolios successfully. The spread of COVID-19 in 2020 has shown such an ability to result in a broad-based economic decline and significant market volatility and continues to present material uncertainty and risk with respect to portfolios' performance and financial results. Aside from the broad effects on the economy, the pandemic may also have specific implications for our operations and activities of its personnel, which can range from employees working remotely to more significant impacts such as illness and restrictions on non-essential travel. Depending on the length and severity of the pandemic, we are prepared to spend the necessary time and attention addressing implications from the pandemic, including minimizing its impact on its business, clients, and/or specific investments as relevant.

*Leverage.* Subject to applicable margin and other limitations, we have in the past and expect to continue to borrow on behalf of the master fund 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 the funds' portfolios would be amplified. Interest on borrowings will be a portfolio expense for the master fund and will affect the operating results of the funds. Also, the master fund has in the past and likely will in the future create leverage via the use of instruments such as options and other derivative instruments. The master fund may, under some circumstances, be required to liquidate assets to service its interest and principal obligations. If loans to the master fund are collateralized with assets which decrease in value, the master fund has in the past and may again in the future be obligated to pledge additional collateral to a lender in the form of cash or securities to avoid liquidation of the existing collateral. Moreover, if the assets under management are insufficient to pay the principal of, and interest on, the debt when due, the master fund could sustain a total loss of its investments. The rights of lenders to the master fund to receive payments of interest on and repayments of principal of their loans, and their rights in and to the funds' assets, will be senior to the rights of the master fund's investors.

*Interest Rate Fluctuations.* The prices of portfolio investments tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to the master fund of borrowed securities and leveraged investments.

*Short Sales.* We have in the past and expect in the future to enter into transactions on behalf of the master fund, known as short sales, in which we sell a security the master fund does 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 have in the past and expect in the future to mitigate such losses, in certain instances, 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 master fund's short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet the master fund's short sale obligations at a time when fundamental investment considerations would not favor such sales.

*Swaps and other Derivatives.* Derivative instruments, or "derivatives," include swaps, futures, options, 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 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 the master fund 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 we contract on behalf of the master fund for the purpose of making derivative investments. In the event of the counterparty's default, the master fund will only rank as an unsecured creditor and risk the loss of all or a portion of the amounts it is contractually entitled to receive.

Regulatory changes in the United States may significantly impact the trading of swaps and other derivatives in the future.

*Counterparty Creditworthiness.* In addition to the exchange-traded and exchange-cleared options contracts, we have in the past and expect in the future to also invest in the over-the-counter market in contracts that involve dealing with counterparties and their ability to meet the terms of the contracts. In particular, we have previously, and in the future expect to enter into repurchase agreements, forward contracts and swap arrangements, each of which expose the master fund to credit risk to the extent that the counterparty defaults on its obligations to perform under the relevant contract.

*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.

*Special Situation Investments.* We have in the past and expect in the future to invest on behalf of the master fund 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 any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the master fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the master fund may be required to sell its investments at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which we may invest, there is a potential risk of loss by the master fund of its entire investment in such companies.

*Illiquid Holdings.* Many of the investments made by the master fund have in the past been very illiquid, and consequently the master fund may not be able to sell such investments at prices that reflect our assessment of their value or the amount paid for such investments by the master fund. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the master fund and other factors. Furthermore, the nature of the master fund's investments, especially those in financially distressed companies, may require a long holding period prior to profitability. In the event the master fund makes distributions of securities in kind, such securities could be illiquid or subject to legal, contractual and other restrictions on transfer. A number of the asset classes that we describe below can be deemed illiquid holdings.

*Mortgage-Backed and Asset-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. Asset-backed securities are structured like mortgage-backed securities, but instead of mortgage loans or interests in mortgage loans, the underlying assets may include, but are not limited to, such items as motor vehicle installment sales or installment loan contracts, leases of various types of real and personal property, and receivables from credit card agreements. The ability of an issuer of asset-backed securities to enforce its security interest in the underlying assets may be limited. Asset-backed securities are subject to many of the same risks as mortgage-backed securities.

*Potential Involvement in Litigation.* As a result of the master fund's activities generally, including possible investments in distressed investments and the possibility that we have in the past and may again in the future participate in restructuring activities, it is possible that the master fund may become involved in litigation, including litigation respecting creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against the funds and ultimately judgments may be rendered against a fund for which the fund does not carry insurance. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be

no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of the master fund. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and functional operating control of a debtor.

*Fixed Income Securities.* Fixed-income securities provide periodic returns 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.

*Distressed Debt and Securities:* Distressed debt refers to bonds and other forms of securities issued by a company that is undergoing bankruptcy or reorganization or is likely to do so in the near future. Distressed bonds will often have low ratings, as discussed above. The debt securities of distressed corporations are sometimes overly discounted by the market, as risk adverse investors tend to sell securities due to an actual or potential bankruptcy filing. These situations can create attractive buying opportunities for investors specializing in valuing distressed securities. We have in the past and expect in the future to purchase these instruments on behalf of the master fund with the anticipation that the company will emerge from its financial difficulties and become profitable again. In the interim, the purchase of the debt may allow the shareholders or bondholders to participate actively in the process of reorganizing the company as it attempts to position itself for a return to profitability. The risk of investing in distressed debt and securities is that the subject company's projected performance never takes place. When this is the case, the securities bought on behalf of the master fund may become worth less than the amount initially paid for them, resulting in a loss. In addition, when investing in distressed debt, the amount and timing of payments, if any, by the debtor can be uncertain. Receiving late or incomplete loan payments can adversely affect the master fund's return.

Significantly, on the master fund's behalf, we have in the past and expect that in future investments we may participate more actively in the affairs of a distressed issuer than is typical of investors. A heightened level of involvement may make the master fund more vulnerable to litigation risks or prevent them from being able to sell their securities at certain times.

*Convertible Bonds:* Convertible bonds are bonds that can be converted into or exchanged for a specified amount of common stock of the same or a different

issuer within a particular period of time at a specified price or formula. The holder of a convertible bond typically receives interest or a dividend until the security matures or is converted or exchanged. Convertible bonds are unique in that they generally (1) have higher yields than common stocks, but lower yields than comparable non-convertible securities; (2) are less subject to fluctuation in value than the underlying security due to their fixed-income characteristics; and (3) provide potential for capital appreciation if the market price of the underlying security increases.

The value of a convertible security is a function of its investment value and its conversion value. A convertible security's investment value is determined by its yield in comparison to yields of other securities of comparable maturity and quality that do not have a conversion privilege. Changes in interest rates influence a convertible security's investment value. Investment values decline as interest rates increase and vice versa. The issuer's credit standing and other factors may also affect the convertible security's investment value. A convertible security's conversion value is determined by the market price of the underlying security. If the conversion value is low relative to the investment value, then the investment value principally governs the price of the convertible security. As the market price of the underlying security approaches or exceeds the conversion price, the conversion value will increasingly influence the price of the convertible security.

Convertible securities may be convertible only upon the occurrence of certain contingencies. If these contingencies fail to occur, this could also adversely affect the master fund's ability to achieve its investment objective.

Convertible bonds may be subject to redemption at the issuer's option. If the master fund holds a convertible bond that its issuer redeems, this could adversely affect the master fund's ability to achieve its investment objective. Convertible securities may be convertible only upon the occurrence of certain contingencies. If these contingencies fail to occur, this could also adversely affect the master fund's ability to achieve its investment objective.

*Risks of Investing in REIT Securities and Real Estate Securities.* We have in the past and expect in the future to invest in securities issued by real estate investment trusts, also known as REITs, and in securities of non-REIT issuers which are primarily engaged in real estate activities, such as real estate development and management. As a result, some of the master fund's investments will be subject to the risks incident to investments in REITs and companies engaged in real estate activities, generally, including: (i) potential environmental liabilities, the risk of uninsured losses, the perceptions of prospective tenants of the safety,

convenience and attractiveness of the properties, the ability of the owner to provide adequate management, maintenance and insurance, the expenses of periodically renovating, repairing and re-letting spaces, and increasing operating costs (including mortgage payments, real estate taxes, insurance, maintenance costs and utilities) which may not be passed through to tenants; (ii) risks of owning properties through joint ventures or partnerships which may render a REIT or a company engaged in real estate activities unable to exercise sole decision-making authority and subject the REIT or other company to the risk that a joint venturer or partner will act in a manner contrary to its best interests; (iii) general real estate investment considerations, such as the effect of local economic and other conditions on property cash flows and values, the need to re-let space upon the expiration of current leases, dependence on major tenants and the possibility of tenant defaults, the ability of a property to generate revenue sufficient to meet debt service payments and other operating expenses, periodic excessive real estate development, and the illiquidity of real estate investments, all of which may affect the REIT's or other company's ability to make expected distributions to its stockholders; (iv) possible increases in interest rates, which may lead prospective purchasers of real estate equity securities, as well as other classes of equities, to demand higher annual yields, and which would adversely affect the market price of such securities; (v) borrowing risks; (vi) relative illiquidity of real estate investments which will tend to limit the ability of a REIT or non-REIT issuer to vary its holdings promptly in response to changes in local economic or other conditions; and (vii) risks associated with the management by REITs of properties owned by third parties, including the risk that management contracts (which are typically cancelable without notice) will be terminated by the entity controlling the property or in connection with the sale of such property, that contracts may not be renewed upon expiration or may not be renewed on terms consistent with current terms, and that the rental revenues upon which management fees are based will decline as a result of general real estate market conditions or specific market factors. Investments in REIT's are also subject to special risks, including, without limitation, restrictions on ownership, increased volatility and tax risks.

*General Risks of Investments in Collateralized Debt Obligations* (also known as CDOs). The value of CDOs generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO, also known as CDO collateral, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of CDOs must rely solely on distributions on the CDO collateral or proceeds thereof for payment in respect thereof. If distributions on the CDO collateral are insufficient to make payments on the CDOs, no other assets will be



available for payment of the deficiency and, following realization of the CDOs, the obligations of such issuer to pay such deficiency generally will be extinguished.

Issuers of CDOs may acquire interests in loans and other debt obligations by way of sale, assignment or participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the loan or debt obligation; however, its rights can be more restricted than those of the assigning institution.

CDO collateral may consist of high yield debt securities, loans, high grade IG, high yield bonds, high yield loans, asset-backed securities, and other instruments, which often are rated below investment grade (or of equivalent credit quality). High yield debt securities generally are unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The lower ratings of high yield securities and below investment grade loans reflect a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments may be speculative.

*Arbitrage Strategies Risk.* Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. Examples of arbitrage strategies include event-driven arbitrage, merger arbitrage, capital structure arbitrage, convertible arbitrage, fixed income or interest rate arbitrage, statistical arbitrage, debt spread arbitrage and index arbitrage. We have in the past and expect in the future to employ any one or more of these arbitrage strategies. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the master fund is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable spreads, which can also be identified, reduced or eliminated by other market participants.

*Small to Medium Capitalization Companies.* We have in the past and expect in the future to invest a portion of the master fund's assets in the stocks of companies with small- to medium-sized market capitalizations. While we believe these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

*Non-U.S. Securities.* Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the master fund is maintained) and the various foreign currencies in which the master fund's portfolio securities will be denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and non-U.S. securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition of non-U.S. income, withholding or other taxes; and (v) the extension of credit, especially in the case of sovereign debt.

*Currency Risk.* The master fund invests capital in, among other things, securities denominated in currencies other than the U.S. dollar and in other financial instruments the prices of which are determined with reference to currencies other than the U.S. dollar. The master fund values its securities and other capital in U.S. dollars and has, and in the future will, hedge its currency exposure. However, to the extent that currency risk is unhedged, the value of the master fund's capital will fluctuate with the U.S. dollar exchange rate, as well as with price changes of the master fund's investments in various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the master fund makes investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of the master fund's securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the master fund's non-U.S. dollar securities. The master fund also has in the past and expects in the future to utilize forward currency contracts and options to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

*Investment in Distressed Companies.* The fact that certain of the companies in whose securities the master fund has in the past and may in the future invest in are in transition, out of favor, financially leveraged or troubled or potentially troubled, and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation, means that their securities are likely to be particularly risky investments, although they also may offer the potential for correspondingly high returns. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or

specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the master fund's investment in any instrument, and some of the obligations and preferred stock in which the master fund invests are and likely will be less than investment grade.

*Investing in Loans Generally.* When investing in any type of loan, there is always the risk that a borrower made a material misrepresentation or omission in the process of obtaining the loan. This inaccuracy or incompleteness can adversely affect the valuation of the collateral underlying the loan and/or can adversely affect the master fund's ability to perfect or effectuate a lien on the collateral securing the loan.

*Lending Risks.* We have in the past and expect in the future to purchase on behalf of the master fund assignments and participations in syndicated leveraged loans. Such activities entail the following risks:

- *General Credit Risks.* The master fund may be exposed to losses resulting from default and foreclosure. The value of the underlying collateral, if any, the creditworthiness of the borrower and the priority of the lien are each of great importance (although the master fund has in the past and expects in the future to invest in subordinate or second priority liens). There is no assurance that we will correctly evaluate the value of the assets collateralizing the loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the master fund has an investment, the master fund may lose all or part of the amounts advanced to the borrower. We cannot guarantee the adequacy of the protection of the master fund's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, it is possible that claims may be asserted by other parties that might interfere with enforcement of the master fund's rights. In the event of a foreclosure, the master fund or an affiliate of the master fund may assume direct ownership of the underlying asset, and has done so on prior investments. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the master fund. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.
- *Lower Credit Quality Loans.* There are no restrictions on the credit quality of the master fund's loans. Loans invested in by the master fund may be

deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans in which the master fund has and expects to invest in may have large uncertainties or major risk exposures to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than better quality loans, but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans. In certain instances, loans may lack liquid markets and the master fund has invested in such illiquid loans in the past.

- *Equitable Subordination.* Lenders to companies operating in workout modes or under Chapter 11 of the Bankruptcy Code are, in certain circumstances, subject to certain potential liabilities. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions.
- *Fraud.* Of paramount concern in purchasing loans is the possibility of material misrepresentation or omission on the part of borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the master fund to perfect or effectuate a lien on the collateral securing the loan. We will rely upon the accuracy and completeness of representations made by borrowers to the originator of such loans to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the master fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

*Bank Loans and Participations.* There are special risks associated with investments in bank loans and participations in bank loans, which include (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws, (ii) so-called lender-liability claims, (iii) environmental liabilities that may arise with respect to collateral securing the obligations and (iv) limitations on the ability of the master fund to directly enforce its rights with respect to participations. Successful claims by third parties arising from these and other risks, absent gross negligence or willful misconduct, will be borne by the master fund.

*High Yield/High Risk Securities.* We have in the past and may in the future, invest in securities on behalf of the master fund which are rated below investment-grade (hereinafter referred to as lower rated securities) or which are unrated, but deemed equivalent by us to those rated below investment-grade. These instruments generally offer a higher yield to maturity than that available from higher grade issues, but typically involve greater risk. Lower rated and unrated securities are especially subject to adverse changes in general economic conditions, to changes in the financial condition of their issuers and to price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of these instruments may experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the values and liquidity of these securities especially in a market characterized by only a small amount of trading. Perceived credit quality in this market can change suddenly and unexpectedly, and may not fully reflect the actual risk posed by a particular lower rated or unrated security.

*Bank Debt, Trade Claims and other Senior Securities.* Loans and other securities at the most senior part of the capital structure have increasingly become packaged for resale, allowing an investor to buy senior securities from a bank or directly from a corporation, or in the secondary market.

*Credit Default Swaps.* A credit default swap (“CDS”) is a swap contract in which the buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff if the underlying credit instrument (typically a bond or loan) experiences a negative credit event, for example, a default, restructuring, or bankruptcy. Generally an investor would buy a CDS if it expects the underlying credit to deteriorate and would sell a CDS if it expects the underlying credit to improve.

CDS contracts have been compared with insurance, because the buyer pays a premium and, in return, receives a sum of money if one of the events specified in the contract occurs. However, there are a number of differences between CDS and insurance, for example:

- the buyer of a CDS does not need to own the underlying security or other form of credit exposure; in fact the buyer does not even have to suffer a loss from the negative credit event. In contrast, a buyer of traditional insurance must have an insurable interest such as owning a debt obligation;
- the seller of a CDS need not be a regulated entity;

- the seller of a CDS is not required to maintain any reserves to pay off buyers, although major CDS dealers are subject to bank capital requirements;
- in the United States, CDS contracts are generally subject to mark to market accounting and to collateral calls.

*Capital Structure Arbitrage.* We have in the past and expect in the future to seek opportunities created by differential pricing of various instruments issued by one corporation, such as traditional bonds and convertible bonds or equity. Convertible bonds are convertible into shares of equity, and this stock-option component has a calculable value. The theoretical value of the whole instrument is the value of the traditional bonds plus the extra value of the option feature. If the difference between the convertible and the non-convertible bonds becomes excessive, then we have in the past and expect in the future to take a position in the expectation that such spread will converge. Similarly, there may be value discrepancies between traditional bonds and equities.

*Unsecured and Subordinated Investments.* Although we will emphasize secured and senior obligations, distressed securities purchased by the master fund will be subject to certain additional risks to the extent that such securities may be unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Moreover, such securities may not be protected by financial covenants or limitations upon additional indebtedness.

*Reportable Positions.* We may obtain a position on behalf of the master fund in any public company that requires it to make filings concerning its holdings with the SEC and may become subject to other regulatory restrictions that could limit the ability of the master fund to dispose of its holdings at the times and in the manner we would prefer. Violations of these regulatory requirements could subject the master fund to significant liabilities.

*Participation on Committees.* In some situations, we have in the past and may in the future conclude that the master fund's interests would be best served by joining committees made up of holders of securities. If we join such a committee, we may be deemed to have duties to other investors represented by the committee and may, by our actions on the committee, expose the master fund to liability from such other investors who disagree with our actions. Also, participation by us on such committees may cause the master fund to be considered an insider for purposes of the federal securities laws and may restrict the master fund's ability to trade in certain securities.

*Defaulted Securities.* We have in the past and expect in the future to invest in the securities of companies involved in bankruptcy proceedings, reorganizations and financial restructurings, and may have a more active participation in the affairs of the issuer than is generally assumed by an investor. This may subject the master fund to litigation risks or prevent the master fund from disposing of securities. In a bankruptcy or other proceeding, the master fund as creditor may be unable to enforce their rights in any collateral or may have their security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors. While we will attempt to avoid taking the types of actions that would lead to equitable subordination or creditor liability, there can be no assurance that such claims will not be asserted or that the master fund will be able to successfully defend against them.

*Post-reorganization Securities.* Post-reorganization securities typically entail a higher degree of risk than investments in securities of companies which have not undergone a reorganization or restructuring. Moreover, post-reorganization securities can be subject to heavy selling or downward pricing pressure after the completion of a bankruptcy reorganization or restructuring. If our evaluation of the anticipated outcome of an investment situation should prove incorrect, we could experience a loss. The master fund has, on several occasions, and expects in the future, to be forced to take post-reorganization securities in exchange for debt positions in order to obtain value for prior debt positions in companies that have become distressed. Such securities often have very limited liquidity and may have to be held by the master fund for extended periods before value can be received (if any).

*Investments in Undervalued Assets.* We have in the past and expect in the future to invest in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the master fund's investments may not adequately compensate investors for the business and financial risks assumed.

The master fund may be forced to sell, at a substantial loss, assets that are not, in fact, undervalued. In addition, the master fund has in the past and may in the future be required to hold such assets for a substantial period of time before realizing their anticipated value. During this period, a portion of the master fund's assets would be committed to the investments purchased, possibly preventing the master fund from investing in other opportunities. In addition, the master fund has in the

past and may in the future finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

*Lender Liability Considerations and Equitable Subordination.* In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed “lender liability”). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. While believed to be unlikely, because of the nature of certain of the master fund’s investments, the master fund could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called equitable subordination. Because of the nature of certain of the master fund’s investments, the master fund could be subject to claims from creditors or shareholders of an obligor that investments issued by such obligor that are held by the master fund should be equitably subordinated. A number of the master fund’s investments have and likely will involve investments in which the master fund would not be the lead creditor. Accordingly, it is possible that lender liability or equitable subordination claims affecting the master fund’s investments could arise without the direct involvement of the master fund.

*Convertible Instruments.* A convertible instrument is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Convertible debt instruments have characteristics of both fixed income and equity investments. We have in the past and expect in the future to invest in convertible instruments that have varying conversion values. If a convertible instrument held by the master fund is called for redemption, the master fund will be required to permit the issuer to redeem the instrument, or convert it into the underlying stock, and will hold the



stock to the extent that we determine that such equity investment is consistent with the investment objective of the master fund.

*Put and Call Options on Specific Investments.* We have in the past and expect in the future to purchase exchange-listed and over-the-counter put and call options on specific investments on behalf of the master fund. In addition, the master fund has and expects to write and sell covered or uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying investment at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying investment at a stated exercise price at any time prior to the expiration of the option. Options written by the master fund may be wholly or partially covered (meaning that the funds hold an offsetting position) or uncovered. Options on specific investments have in the past and, and we expect in the future, will be used by the master fund to seek enhanced profits with respect to a particular investment. Alternatively, they may be used for various defensive or hedging purposes. For example, they may be used to protect against a future adverse change in the market price of particular portfolio investments held by the master fund without requiring a sale of the investments.

Use of put and call options may result in losses to the master fund, force the sale or purchase of portfolio investments at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation the client can realize on its investments or cause the master fund to hold an investment it might otherwise sell. For example, a decline in the market price of a particular investment could result in a complete loss of the amount expended by the master fund to purchase a call option (equal to the premium paid for the option and any associated transaction charges). An adverse price movement may result in unanticipated losses with respect to covered options sold by the master fund. The use of uncovered option writing techniques may entail greater risks of potential loss to the master fund than other forms of options transactions. For example, a rise in the market price of the underlying investment will result in the master fund realizing a loss on the calls written, which would not be offset by the increase in the value of the underlying investments to the extent that the call option position was uncovered.

*Operational Risks.* Our firm is responsible for developing, implementing and operating appropriate systems and procedures to execute all investment transactions and monitor and control operational risk on behalf of client accounts. We rely on our execution, financial, accounting and other data processing systems

to trade, clear and settle all transactions, to evaluate and monitor potential and existing portfolio investments, and to generate risk management and other reports that are critical to oversight of client accounts. Certain of our firm's operations are dependent upon systems operated by third parties, including prime brokers, counterparties, electronic exchanges, other execution platforms and their various service providers. We may not be in a position to verify the reliability of such third-party systems or data. Failure of or errors in such systems could result in mistakes or delays in the execution, confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. The increasing reliance on internet-based programs and applications to conduct transactions and store data also creates increased security risks. Targeted cyber-attacks, or accidental events, can lead to a breach in computer and data systems and access by unauthorized persons to sensitive transactional or personal information. Data taken in breaches may be used by criminals to commit identity theft, obtain loans or payments under false identities, and other crimes. Cybersecurity breaches at our firm or its service providers or counterparties may directly or indirectly affect clients, and could lead to theft, data corruption, interference with business operations, disruption of operational systems, interference with our firm's or a client's ability to execute transactions, direct financial loss or reputational damage, or violations of applicable laws related to data and privacy protection and consumer protection.

*Cybersecurity Breaches and Identity Theft.* The Firm's technology and information systems can be susceptible to, amongst other things, interruption from network failures, computer viruses, telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors, power outages and catastrophic events (such as fires, tornadoes, floods, hurricanes, and earthquakes) and damage. Although the Firm has implemented measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time, or cease to function properly, the Firm will have to make a significant investment to fix or in certain circumstances, replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Firm's operation and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors. Such a failure could harm the Firm's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means.

The service providers of the Firm are subject to the same information security

threats. If a service provider fails to adopt or adhere to adequate data security policies, or if the service provider's network is breached, information relating to the transactions of the Fund and personally identifiable information of the investors (and beneficial owners thereof) may be lost or improperly accessed, used, or disclosed.

*Force Majeure.* Assets may be affected by force majeure events (*i.e.*, events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fires, floods, earthquakes, outbreaks of infectious disease, pandemics or any other serious public health concerns, wars, terrorism and labor strikes). Natural disasters, epidemics and other acts of God, which are beyond the control of the firm, may negatively affect the economy, infrastructure and livelihood of people throughout the world. For example, many countries have been affected by earthquakes, floods, typhoons, drought, heat waves or forest fires. Disease outbreaks have occurred across multiple countries in the past (including severe acute respiratory syndrome, or SARS, avian flu, H1N1/09 flu and COVID-19), and any prolonged occurrence of infectious disease, or other adverse public health developments or natural disasters, in any country related to the funds' investments have had and may continue to have a negative effect on the funds. In addition, there are increased risks relating to the firm's reliance on its computer programs and systems if the firm's personnel are required to work remotely for extended periods of time as a result of events such as the outbreak of infectious disease or other adverse public health developments or natural disasters, including an increased risk of cyber-attacks and unauthorized access to the firm's computer systems. Additionally, there is a risk of terrorist attacks on the United States and elsewhere, which could cause a significant loss of life and property damage and disruptions in global markets. For example, as a result of any terrorist attack, economic and diplomatic sanctions may be in place or imposed on certain countries and military action may be commenced. Some force majeure events may negatively affect the ability of a party (including the funds or a counterparty to the funds) to perform its obligations until it is able to remedy the force majeure event. In addition, the cost to the funds of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Certain force majeure events (such as war or an outbreak of infectious disease) could have a broader negative impact on the world economy and international business activity generally, or otherwise negatively impact any country related to the funds' investments. Any of the foregoing may therefore negatively affect the performance of the funds. Losses resulting from any of the foregoing may either be uninsurable or only insurable at such high rates as to make such coverage impracticable. If any such a major uninsured loss were to occur with respect to any of the master fund's investments, the funds could incur substantial losses.

**Item 9: Disciplinary Information**

Neither our firm, nor any of our directors, officers or principals has been involved in any criminal or civil actions in a domestic, foreign or military court.

Neither our firm, nor any of our directors, officers or principals has been involved in any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our firm, nor any of our directors, officers or principals has been involved in any self-regulatory organization proceedings.

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

Neither our firm, nor any of our directors, officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

We are registered with the National Futures Association as an exempt commodity pool operator. Aside from that, neither our firm nor any of our directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, a commodity trading advisor, or is an associated person of any of the above.

Our firm and our affiliate, Nokota Capital GP, LLC, have sponsored certain private investment funds. Nokota Capital GP, LLC serves as the general partner of the domestic feeder fund and the master fund. Our funds do not have independent management and we selected the firms providing the two independent directors of the offshore fund. Although this arrangement may give us heightened control and discretion over our funds, we manage any potential conflicts of interest by adhering to the investment strategy and investment allocation policy discussed in each feeder fund's offering documents.

We do not currently recommend nor do we intend to select other investment advisers for our clients.

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

To help ensure that each of our employees conducts his or her affairs, including personal securities transactions, in a manner to avoid serving his or her own personal interests ahead of the interests of our clients and to avoid conflicts of interest, we have adopted a code of ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), which includes policies and procedures governing personal trading activities of our employees. A copy of the code of ethics is available upon request to our clients and any investor or prospective investor in our feeder funds.

From time to time we may deem it appropriate to cross positions internally. There may be a conflict of interest because a cross trade is not independently negotiated. We use an independent pricing mechanism to ensure objectivity. Prior to execution of an internal cross transaction, the employee recommending the trade will be responsible for preparing a brief memorandum setting forth the reasons why the transaction is suitable for the clients involved (e.g., differences in invested positions, investment objectives, risk tolerances, tax situations, etc.). The memorandum will be signed by the officer or employee under whose direction it was prepared and initialed by the Chief Compliance Officer and copies will be maintained in the appropriate client files. No brokerage commission, fee or other remuneration (except for customary brokerage commissions or transfer fees payable to third parties) will be paid in connection with any cross transaction. If any cross transaction is deemed to be a principal trade, such transaction will comply with Section 206(3) of the Investment Advisers Act of 1940.

Nokota's Code of Ethics generally prohibits employees from investing in single-name, publicly traded stocks or bonds, either directly or indirectly, for any account

in which the employee has any direct or indirect beneficial ownership. Employees must obtain prior approval for certain personal securities transactions, and must report all personal transactions on at least a quarterly basis. The Chief Compliance Officer (or a designee) monitors all transactions by employees in order to identify any pattern of conduct that may evidence conflicts or potential conflicts with the principles and objectives of the Code of Ethics, or other inappropriate behavior.

No employee or partner may acquire any securities in an initial public offering or in an offering that is exempt from under Section 4(a)(2) or Section 4(a)(6) under the Securities Act of 1933, as amended, or pursuant to Rule 504, Rule 505, or Rule 506 under the Securities Act of 1933, as amended, and similar offerings under comparable foreign law, without prior approval. Consideration will be given to whether or not the opportunity should be reserved for client accounts.

## **Item 12: Brokerage Practices**

We have complete discretion in deciding which broker-dealers to use. In selecting broker-dealers and determining the reasonableness of their commissions for any client's transactions, we seek to obtain best execution by taking into account any combination of the following factors:

- Financial stability and capital adequacy (e.g., satisfaction of FINRA's minimum net capital requirements etc.);
- Long term indebtedness normally should not exceed 50% of total equity;
- Whether the broker is a wholly owned subsidiary of a larger financial institution and/or whether its trades are cleared through a stronger third party (i.e. a party with significant financial backing);
- Regulatory history and arbitration (e.g., Disclosure Reporting Page, monetary fines or settlements);
- Execution capability (e.g., speed of execution, history of securing best price and competitive transaction charges);
- The broker's operational efficiency including the broker's ability to complete the transaction satisfactorily through to clearance, confirmation and delivery;
- The value of the research provided and other research assistance first calls and providing useful ideas and market color;

- Access to underwritten offerings and secondary markets;
- Responsiveness and qualified, professional and diligent personnel (e.g., responsiveness);
- Direct telephone lines from our trading desks to broker-dealers;
- Institutional references from senior traders;
- Trading experience (e.g., the broker's expertise in effecting difficult trades in less liquid, smaller capitalized, and more closely held issues);
- A broker's willingness to enter into difficult transactions, including transactions in which the broker's capital is put at risk;
- Providing access to issuers;
- Facilitating analyst visits and access to road shows;
- Whether the broker possesses special abilities that have been demonstrated to add value to client portfolios (e.g., broker-dealer provides anonymity and has a reputation for integrity when handling transactions and maintaining confidentiality);
- The facilities that the broker makes available (including trading networks, access to multiple floor brokers and markets, and significant resources for positioning as principals).

We are not required to weigh any of the above factors equally. We need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost. Since commission rates are negotiable globally, 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. Each client bears the brokerage commissions and other charges related to that client's investment transactions.

Research and Soft Dollar Benefits. We have in the past and expect in the future to receive research products or services from brokers that fall within the safe harbor established by Section 28(e) of the Securities Exchange Act of 1934 in connection with our allocation of portfolio brokerage. We are authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokers that provide us with research products or services or to pay higher commissions to brokers if we determine such prices or commissions are reasonable in relation to the overall services provided. Research products or services so received are in addition to and not in lieu of services required to be

performed by us, and our fees charged to our clients are not reduced as a consequence of the receipt of such supplemental research information. When we use client markups or markdowns to obtain research products and services, our firm receives a benefit because we do not have to produce or pay for the research products and services. The availability of these benefits may influence us to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the products and services instead of on our clients' interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other brokers. We may not allocate soft dollar benefits to each client account in proportion to the soft dollar credits each client generates, but the services received from our use of soft dollars would generally benefit all of our clients.

The research services that broker-dealers have provided us with 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.

Brokerage for Client Referrals. We may consider investor referrals in selecting broker dealers. At times, we may have an incentive to select a broker-dealer based on our interest in receiving referrals, rather than based on our clients' interest in receiving most favorable trade execution.

Trade Aggregation and Allocation. We may seek to aggregate the purchase or sale of the securities for 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 decide to invest at the same time for more than one client, we will seek to place combined orders for all these clients simultaneously, and, if all these orders are not filled at the same price, we will average the prices paid where applicable. 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, clients can benefit when we aggregate trades because we get volume discounts on execution costs. It is important to recognize that, if we are to conduct investment activities on behalf of



additional client accounts or in the future, situations may occur where one client could be disadvantaged because of the investment activities we conduct for other client accounts.

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

We review the transactions, positions and cash balances of each client on a daily basis. We review the firm's holdings reports, trade reporting, brokerage statements, administrator reporting, trade break reports and all other necessary sources of information to reconcile for the day's business.

We have engaged an outside administrator to prepare monthly written unaudited reports reviewing each client's performance for such month. Audited financial reports prepared by independent auditors are distributed to each investor in the feeder funds on an annual basis.

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

Our firm does not, nor do any principals or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our clients.

While our compliance manual permits us to enter into arrangements with a third party to refer investors for a fee so long as all arrangements are executed in accordance with Rule 206(4)-3 of the Advisers Act, if applicable, we currently have no such arrangements in place.

### **Item 15: Custody**

While it is our practice not to accept or maintain physical possession of our clients' assets, we are deemed to have custody of the assets of the master fund and the domestic feeder fund under Rule 206(4)-2 of the Advisers Act, because our affiliate serves as the general partner of such funds and we have the authority to access funds and deduct fees and expenses from their accounts.

In order to comply with Rule 206(4)-2, we utilize the services of a bank or a qualified custodian (as defined under Rule 206(4)-2) to hold all of our clients' assets except for certain privately offered securities that are not required to be maintained with a qualified custodian. Certain privately offered, uncertificated securities may be recorded on the books of the issuer or its transfer agent in the name of the relevant client and are not required to be maintained with a qualified custodian. Additionally, certain privately offered, certificated securities, to the extent permitted under the

Advisers Act, may not be kept with a qualified custodian and may be held by a party other than a qualified custodian in accordance with guidance issued by the SEC.

In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit the financial statements of each fund at the end of each fiscal year and (2) distribute audited financial statements that are prepared in accordance with generally accepted accounting principles to all investors in each fund within 120 days after the end of the fiscal year.

#### **Item 16: Investment Discretion**

Our firm accepts discretionary authority to manage clients' assets. This means that we have the authority to determine, without obtaining specific consent from the investors in the feeder funds, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in the feeder funds' offering document.

Before accepting their subscriptions for interests, we provide all potential investors in our feeder funds with an offering document, which sets forth in detail the investment strategy and program. By completing our subscription documents to acquire an interest in one of our feeder funds, investors give us complete authority to manage the capital contributed in accordance with the offering document received, including by executing the power of attorney contained therein.

#### **Item 17: Voting Client Securities**

##### Proxy Voting Policies and Procedures

We have the authority to vote client securities and have implemented proxy voting policies and procedures in accordance with applicable securities laws and our fiduciary obligations to our clients. We usually hold an immaterial ownership of any company, and therefore do not typically vote on proxies. However, we will vote on proxies in important cases where we feel our vote will have an impact. In these instances, we always strive to vote client proxies in a manner consistent with each client's best interests. Our officers, directors and employees will not be influenced by outside sources whose interests conflict with the interests of our clients. Additionally, no client or investor in the feeder funds has any right or ability to influence the proxy process, nor does any investor have a right to vote the master funds proxies themselves.

We determine how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. We vote in a manner that we believe reasonably furthers the best interests of our clients and is consistent with our clients' investment philosophy as set forth in the relevant investment management documents.

We will generally vote in line with either (i) each company's management recommendations or, if appropriate, (ii) the recommendation of a proxy solicitor, unless we determine that the proposals do not follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders and/or present compensation plans that are commensurate with enhanced manager performance and market practices.

Upon request, our clients (and investors in the feeder funds) can obtain a copy of our proxy voting policies and procedures. Upon request, our clients (and investors in the feeder funds) can obtain information from us regarding proxy votes that are made on behalf of our clients.

#### Potential Conflicts of Interest

If a proxy vote creates a material conflict between our interests and the interests of a client, we will resolve the conflict before voting the proxies. We will either disclose the conflict to such client and obtain consent or take other steps designed to ensure that a decision to vote the proxy was based on our determination of the client's best interest and was not the product of the conflict.

### **Item 18: Financial Information**

We do not require nor do we solicit prepayment of more than \$1,200 of fees per client, six months or more in advance.

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

We have never been the subject of a bankruptcy petition.