

Tower Bay Asset Management LP

Form ADV Part 2A

Brochure

March 25, 2024

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This Brochure provides information about the qualifications and business practices of Tower Bay Asset Management LP ("Tower Bay"). If you have any questions about the contents of this Brochure, please contact us at (203) 610-8806 or whauf@towerbayassetmanagement.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or any state securities regulator.

Tower Bay is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940; however, this registration does not imply a certain level of skill or training. Additional information about Tower Bay is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

This Brochure dated March 25, 2024, serves as an update to the Brochure dated June 16, 2023.

This Item 2 will disclose specific material changes that will be made to the Brochure and provide Clients and potential Clients with such changes in the future.

Tower Bay Asset Management LP has no material changes to this Form ADV Part 2A brochure.

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Item 4 - Advisory Business

Tower Bay Asset Management LP (“Tower Bay”), a Delaware limited partnership, was founded by Mr. William Hauf and Mr. Keith Friedman in September 2021. Tower Bay offers investment management services on a discretionary and non-discretionary basis to onshore and offshore pooled investment vehicles (“Funds”), private funds subject to an offering made pursuant to exemptions provided in the securities act of 1933 and rules thereunder (“Private Funds”) and separate managed accounts (“Managed Accounts”) (and together “Client(s)").

Tower Bay primarily offers advice on fixed income securities, including, but not limited to, municipal bonds and corporate bonds and loans. To a lesser extent, Tower Bay also offers advice, for hedging purposes and investment, on both exchange-traded and over-the-counter equity securities, commercial paper, United States government securities, futures and options contracts.

Tower Bay sponsors and currently provides investment management services on a discretionary basis to the Tower Bay Municipal Bond Opportunity Master Fund L.P. (the "Municipal Bond Fund") and may offer other Private Funds to investors in the future. Tower Bay's Municipal Bond Fund is organized in a master-feeder structure. The Municipal Bond Fund investor base is limited to qualified investors who meet the definition of an “accredited investor” under Rule 501 of Regulation D of the Securities Act.

Tower Bay also serves as sub-advisor to segregated portfolios of unaffiliated Private Funds and Funds which qualifies as an Undertaking for Collective Investments in Transferable Securities (a “UCITS”), that are sponsored by unaffiliated, SEC registered investment advisers.

Tower Bay offers advisory services to Managed Accounts and unaffiliated Private Funds in accordance with the investment objectives as specified in the pertinent sub-advisory or investment management agreements with the Client. Tower Bay and/or an affiliate may also present co-investment opportunities to prospective investors or enter individual consulting contracts with Clients.

Tower Bay tailors its advisory services to the investment objectives of its Clients. In general, for any underlying investors of a Fund or a Private Fund, the investors may not impose restrictions on investing in certain securities or types of securities.

Mr. William Hauf and Mr. Keith Friedman are the principal owners of Tower Bay.

As of February 29, 2024, Tower Bay manages \$413,819,838 in regulatory assets under management on a discretionary basis. Tower Bay also manages a non-discretionary account that has zero regulatory assets under management as of February 29, 2024.

Item 5 - Fees and Compensation

Fees paid by the Municipal Bond Fund are calculated based on the total assets under management as well as the net realized and unrealized appreciation in the net asset value of the applicable assets under management and in accordance with the terms of the private placement memorandum. Fees for other Private Funds offered may vary for each Private Fund.

Generally, a management fee is paid, in arrears, to Tower Bay equal to 1.50% annualized of the opening capital account balance(s) of each investor in the Municipal Bond Fund. The management fee is reduced to 1.25% for capital account balances equal to and in excess of \$30 million dollars. The management fee equal to one-twelfth of the applicable annual management fee percentage is calculated each month, based on the balance in each capital account as of the first day of the month, but is debited from each capital account as of the last day of the month. The management fee is pro-rated for partial periods. The capital account of the general partner for the Municipal Bond Fund is not subject to the management fee.

Generally, at the end of each fiscal year for the Municipal Bond Fund, 15% of the excess of any net capital appreciation allocated to each capital account investor in excess of the management fee, is debited from such capital account for such year and reallocated to the Investment Manager or the general partner to the Municipal Bond Fund, as applicable, as an incentive fee/allocation (the "Incentive Fee/Allocation"). The incentive fee is reduced to 12.5% for such capital account balances equal to and in excess of \$30 million dollars and 10% for such capital account balances equal to and in excess of \$100 million dollars.

Fees are deducted from the Municipal Bond Fund account. Tower Bay does not accept compensation or fees for the sale of securities or other investment products. Municipal Bond Fund fees are not generally negotiable. However, with the consent of Tower Bay, fees for any investor may be reduced, waived, or calculated differently including, without limitation, partners or employees of Tower Bay, their respective immediate family members and trusts or other vehicles established for the benefit of such persons.

Fees for Tower Bay Managed Accounts are negotiated on a case-by-case basis where applicable including management and/or incentive fees that could be charged for institutional Managed Accounts. Generally, each Managed Account, in arrears, will pay a monthly or quarterly management fee to Tower Bay equal to one-twelfth of the applicable management fee percentage of the net asset value of the assets under management. Incentive fees can be charged for any Managed Account and generally will be paid on an annual basis, if applicable.

Fees for the sub-advisory relationships are negotiated on a case-by-case basis. Tower Bay has entered into sub-advisory agreements with the un-affiliated Private Funds and the UCITS. In return for its sub-advisory services, Tower Bay receives a monthly or quarterly management fee by the investment adviser based on assets under management subject to the terms of the sub-

advisory agreement. The sub-advisory agreements between Tower Bay and the investment advisers may be terminated at any time

In addition to Tower Bay's and/or the relevant affiliate's fees, unless and to the extent otherwise specified in the relevant Private Fund's private placement memorandum, sub-advisory or Managed Account agreements, investors will indirectly bear certain fees and expenses charged to the Private Fund and any Managed Account. Such fees may vary and include, but not limited to, the following: expenses of the offering of the Private Fund shares or interests; legal and compliance fees and expenses; audit and accounting fees; insurance costs and expenses; administrative, custodial and transaction fees; costs and commissions paid to custodians, broker-dealers and other third parties; and investment and research related expenses, including computer, newswire and quotation services and data processing charges. Private Fund and Managed Account investors should review all fees charged by Tower Bay and its affiliates, custodians, and broker-dealers and other third parties to fully understand the total amount of fees to be paid by the Private Funds or Managed Account. Please also see Item 12 – Brokerage Practices below.

Each eligible Private Fund and Managed Account will generally bear a *pro rata* portion (based on aggregate net asset value) of applicable common investment-related expenses. Such common operating expenses include research and analytic expenses (such as Bloomberg subscriptions) as well as other related fees and charges. Such expenses are allocated *pro rata* to only the Private Fund and Managed Account that utilize services related to those expenses.

Tower Bay may also enter individual consulting contracts and receive consulting fees. These fees may vary in amount and paid at any time from the inception of the contract to the completion of the consulting services.

Item 6 - Performance-Based Fees

Incentive fees are described in Item 5-Fees and Compensation for Clients. Incentive fees may be paid to Tower Bay in certain Client scenarios. Because incentive fees may not be charged to certain Clients, there exists an implicit conflict of interest as Tower Bay may advise both incentive-fee-paying Clients and non-incentive-fee paying Clients, respectively, at the same time. In this situation, Tower Bay has an incentive to favor Clients for which a performance fee is charged.

There also exists an implicit conflict of interest in instances in which a Client is charged a different management fee rate than another Client. Tower Bay could be incentivized to focus more time on, and provide enhanced management services to, Clients that pay a higher management fee, as this may increase the likelihood of increased investment into those accounts.

In most instances, these conflicts are avoided via pre-existing, well-defined trade allocation policies, procedures, and each Client's unique investment objectives (See Item 12 – Brokerage Practices for further details).

Item 7 - Types of Clients

Tower Bay will provide investment advisory services for institutions and on a sub-advisory basis. Private Fund interests are offered to certain qualified investors in a “private offering” (i.e., one that is not open to the public). The Private Funds are institutional vehicles whose investor base is limited to qualified investors who meet the definition of an “accredited investor” under Rule 501 of Regulation D of the Securities Act.

Both Private Funds and Managed Accounts are offered to both U.S. and non-U.S. investors that generally include, but not limited to, corporations and other business entities, endowments, foundations, and other charitable organizations, fund of funds, high net worth individuals, insurance companies, investment partnerships, pension, and profit-sharing plans, trusts and estates, broker dealers, investment advisers and other financial institutions.

Tower Bay’s consulting arrangements are generally applicable to corporations or other institutional Clients.

Tower Bay negotiates separately with each Client regarding minimum account size.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Tower Bay Client Accounts (the “Portfolios”)

Investment Strategies - Tower Bay’s investment objective for the Portfolios is to focus primarily on opportunistic credit investing in the U.S. municipal bond markets. The investment strategy will focus on two core strategies: (1) active trading of municipal securities to seek to take advantage of various inefficiencies in the marketplace and (2) investing in relative value, distressed and special situation opportunities focused on capital appreciation and, in some cases, current income from municipal securities. The Portfolios may invest in both taxable and tax-exempt municipal securities and in non-municipal securities, including high-grade corporate bonds, as well as any other fixed-income securities that it determines are related to the municipal bond markets. The Portfolios may use various interest rate and credit hedges for investment purposes and to manage the risk of its portfolio.

The investment objectives and strategies for Managed Accounts may vary based on the individual managed account agreements. The investments made in Managed Accounts are similar to those made by Private Funds in that they are primarily fixed-income investments. Leverage may be employed in certain Managed Accounts.

Methods of Analysis - The investment strategy relies on its ability to identify appropriate investments, an intensive analytical approach to investments and prudent surveillance and asset/liability management. A Private Fund investment program may not have any geographic limitation, or diversification limitations.

ESG Integration - At Tower Bay, our north star is our responsibility to place client interests first and deliver attractive risk-adjusted investment returns to our investors. We believe that the majority of U.S. municipal bonds are issued for purposes that improve communities and the lives of their inhabitants. Public utilities provide electricity and running water. Cities and states provide sidewalks and roads, traffic lights and bridges, parks and community centers, as well as schools and fire departments. Hospitals provide specialty surgical services. Universities provide higher education and research programs. The daily impact of services and projects financed by U.S. municipal bonds is expansive. To track the impact of our portfolio, we evaluate the alignment of each cash bond investment (excluding U.S. Treasuries) with the 17 United Nations Sustainable Development Goals (“SDGs”) as well as material environmental, social, and governance (“ESG”) factors.

We assess and track the following for each cash bond investment: (1) the bond use of proceeds, (2) United Nations SDGs alignment, and (3) ESG alignment. We believe that there are natural synergies between the use of proceeds of U.S. municipal bond issuances and many SDGs. We also believe that both the use of municipal bond proceeds as well as municipal credit analysis processes are naturally aligned with many ESG factors. The Tower Bay Asset Management LP Investment Tracking Blueprint (the “Blueprint”) guides our tracking process.

Tower Bay does not purport to hold itself out to investors as an “ESG” manager nor are the Funds or accounts managed by Tower Bay designated as ESG Focused or Impact Funds or accounts. While United Nations Sustainable Development Goals (“SDG”) and ESG alignment and factors are considered in the analytical process, they are not the sole issues influencing investment decisions made by Tower Bay. Instead, they are synergistic with traditional financial and technical analytics and not all securities in the portfolio are subject to ESG tracking. Certain fund investments are not screened for ESG criteria prior to the investment. Instead, such assessment and tracking of SDG and ESG alignment may occur after the investment is made based on the use of bond proceeds. This could result in fund portfolio positions that may or may not be aligned with ESG criteria and SDGs.

Hedging on the Portfolio and the Security Level - Consistent with the foregoing, Tower Bay attempts to minimize interest rate risk in the Portfolios by hedging such risk for selected securities where appropriate. To this end, the Portfolios may take positions in Treasuries and certain short positions and make use of futures, interest rate swaps and interest rate caps.

Other Hedging Strategies - Other hedging strategies may be used in the investment process to seek to reduce risks that Tower Bay chooses not to assume. The purpose of hedging is not to eliminate risk, but to reduce risks other than those general risks as part of the investment strategy. To this end, Tower Bay utilizes available hedge instruments based on their expected hedging efficiency (cost vs. effectiveness).

Investment and Trading Risks:

An investor should be aware that it might lose all or part of its investment in the Portfolios. All investments involve the risk of loss of capital. No guarantee or representation is (or could be) made that the investment program will be successful. The Portfolios' investments could be materially affected by conditions in municipal securities markets, real estate markets, the financial markets, and overall economic conditions in markets where the Portfolios may invest their assets. The Portfolios' investment programs involve, without limitation, risks associated with municipal bonds, short sales, limited diversification, interest rates, volatility, and other risks inherent in the Portfolios' activities.

General Municipal Market Risk – The Portfolios invest in municipal bonds and related securities. The municipal securities market is fragmented, with significant variations in economic conditions, credit quality and supply-demand fundamentals. It may be difficult to hedge the credit risk of specific municipal bonds because it is often not possible to take a short position or purchase CDS protection with respect to a given municipal bond. Public information in the municipal market is also less available than in other markets, increasing the difficulty of evaluating and valuing securities. Furthermore, because the municipal market is predominantly a retail buyer-driven market, municipal bond prices are very sensitive to retail fund flows from mutual funds and other retail accounts. Events affecting Puerto Rico, Detroit, Chicago, or other municipalities and related bond issuers that are distressed or otherwise financially challenged, such as a default or a restructuring by a large municipality, may cause a sell-off in the municipal market as related news headlines will negatively impact municipal bond pricing.

General Municipal Bonds Risks - Municipal bonds are subject to interest rate, credit, and market risk. The ability of an issuer to make payments could be affected by litigation, legislation or other political events or the bankruptcy of the issuer. Lower-rated municipal bonds are subject to greater credit and market risk than higher quality municipal bonds. The market prices of residual interest bonds may be highly sensitive to changes in market rates and may decrease significantly when market rates increase.

Other Municipal Securities Risks - Municipal securities risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers of municipal securities and the possibility of future legislative changes, which could affect the market for and value of municipal securities. These risks include:

General Obligation Bonds Risks - The full faith, credit and taxing power of the municipality that issues a general obligation bond secures payment of interest and repayment of principal. Timely payments depend on the issuer's credit quality, ability to raise tax revenues and ability to maintain an adequate tax base.

Revenue Bonds Risks - Payments of interest and principal on revenue bonds are made only from the revenues generated by a particular facility, class of facilities or the proceeds of a special tax or other revenue source. These payments depend on the money earned by the facility or class of facilities, or the amount of revenues derived from another source.

Private Activity Bonds Risks - Municipalities and other public authorities issue private activity bonds to finance development of industrial facilities for use by a private enterprise. The private enterprise pays the principal and interest on the bond and the issuer does not pledge its full faith, credit, and taxing power for repayment. If the private enterprise defaults on its payments, a Portfolio may not receive any income or get its money back from the investment.

Moral Obligation Bonds Risks - special purpose public authorities of a state or municipality generally issue moral obligation bonds. If the issuer is unable to meet its obligations, repayment of these bonds becomes a moral commitment, but not a legal obligation, of the state or municipality.

Structured Settlement Securities Risks - Structured settlement securities depend on settlement payments from non-municipal entities, including public and private companies and therefore bear risks associated with such settlement payments. In particular, Structured Tobacco Settlement Securities depend on payments from the tobacco manufacturers that participated in the MSA and bear certain unique risks relating to the tobacco industry and the MSA, including the risk of decreases in tobacco consumption, credit risks of the relevant manufacturers and risks relating to an ongoing dispute regarding escrow payments of non-participating manufacturers.

Municipal Notes Risks - Municipal notes are shorter-term municipal debt obligations. They may provide interim financing in anticipation of, and are secured by, tax collection, bond sales or revenue receipts. If there is a shortfall in the anticipated proceeds, the notes may not be fully repaid, and a Portfolio may lose money.

Municipal Lease Obligations Risks - In a municipal lease obligation, the issuer agrees to make payments when due on the lease obligation. The issuer will generally appropriate municipal funds for that purpose but is not obligated to do so. Although the issuer does not pledge its unlimited taxing power for payment of the lease obligation, the lease obligation is secured by the leased property. However, if the issuer does not fulfill its payment obligation it may be difficult to sell the property and the proceeds of a sale may not cover a Portfolio's loss.

Concentration Risk - The Portfolios may take concentrated positions in municipal securities issued by or on behalf of any state or municipality. As a result, the Portfolios may be more exposed to risks affecting issuers of such state or municipality than is a municipal securities fund that invests in a more diversified manner. Because the Portfolios may not be restricted from concentrating their investments in the financial instruments of a single issuer (or borrower) or guarantor, and may invest all or most of their assets in a single market sector, the negative impact on the Portfolios of adverse movements in the value of the financial instruments of a single issuer (or borrower), guarantor or market sector could be considerably greater than if the Portfolios were not permitted to concentrate their investments to such an extent.

Corporate Debt – Bonds, notes and debentures issued by corporations may pay fixed, variable, or floating rates of interest and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. The Portfolios may be paid interest in-

kind in connection with any investments in corporate debt (e.g., the principal owed to the Funds in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the Funds may experience substantial losses.

Other Risks

Hedging on the Portfolio and the Security Level - Consistent with the foregoing, Tower Bay attempts to minimize interest rate risk in the Portfolios with thoughtful selection and by hedging such risk where appropriate. To this end, Tower Bay may take positions in listed and over-the-counter interest rate futures and options, credit derivatives and other similar financial “derivative” products, including swaps, caps and floors on interest rate and currency exchange rates. The purpose of hedging is not to eliminate risk, but to seek to reduce risks that Tower Bay chooses not to assume. To this end, Tower Bay utilizes available hedge instruments based on their expected hedging efficiency (cost vs. effectiveness).

Risk of Loss - An investor in the Portfolios should be aware of the possibility of loss of all or part of its investment. All investments involve the risk of loss of capital. Investing in securities involves risk of loss that investors should be prepared to bear. No guarantee or representation is (or could be) made that the Portfolios’ investment programs will be successful. The Portfolios’ investment programs may utilize such investment techniques as option transactions, margin transactions, short sales, limited diversification, leverage and forward contracts, which can, in certain circumstances, increase the adverse impact to which the Portfolios may be subject.

Liquidity and Valuation of Investments – The Portfolios may invest in securities that are subject to legal and other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be volatile and the Portfolios may not be able to sell them when they desire to do so or to realize what they perceive to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on sale.

“Widening” Risk – For reasons not necessarily attributable to any of the risks enumerated above (for example, supply/demand imbalances or other market forces), the prices of the securities in which the Portfolios invest may decline substantially. Purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not be trading at even more “undervalued” levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such “spread widening” risk.

Systemic Risk – Credit risk may arise through a default by one of several large or regional institutions that are dependent on one another to meet their liquidity or operational needs, so

that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a “systemic risk” and may adversely affect financial intermediaries, such as clearing agencies, clearinghouses, banks, securities firms, and exchanges, with which the Portfolios transact on a daily basis.

Interest Rate Risk – The value of the fixed rate securities in which the Portfolios may invest generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise the value of such securities may decline. In addition, to the extent that the receivables or loans underlying specific securities are pre-payable without penalty or premium, the value of such securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline.

Inflation Risk - Inflation is a decline in the purchasing power of money over time. Inflation risk is the risk that the future real value (after inflation) of an investment, asset, or income stream will be reduced by inflation. Periods of higher inflation may cause the Federal Reserve Board to raise interest rates.

Fraud – Of paramount concern in investing in securities backed by loans and other debt instruments is the possibility of material misrepresentation or omission on the part of the borrower or the lender. Inaccuracy or incompleteness of information concerning borrowers may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Portfolios to perfect or effectuate a lien on the collateral securing the loan. Inaccurate or incomplete disclosure of the terms of the loan by the lender may adversely affect the ability of a borrower to assess accurately its ability to repay the loan and make accurate representations to lenders with respect thereto. Tower Bay will rely upon the accuracy and completeness of representations made by borrowers and lenders to the extent reasonable but cannot guarantee such accuracy or completeness.

Non-U.S. Financial Instruments – Investments in financial instruments of non-U.S. issuers (including non-U.S. governments) and financial instruments denominated, or whose prices are quoted, in non-U.S. currencies pose, to the extent not hedged, currency exchange risks (including repatriation restrictions, devaluation and non-exchangeability) as well as a range of other potential risks which could include expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. issuers. There is generally less government supervision and regulation of exchanges, brokers and issuers than there is in the United States. The Portfolios might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures, which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays, and settlement failures that could adversely affect the performance of the Portfolios. In addition, the value of non-U.S. financial instruments is often dependent on the ability of the holder to recover portions of the cash flow. The withholding and redemption practices of non-US governments may change

from time to time without notice, and the ability of the Portfolios to guarantee recovery of the cash flow is necessarily uncertain.

The fact that evidences of ownership of such financial instruments may be held outside the United States may subject the Portfolios to additional risks, which include possible adverse political and economic developments, and the attendant risk of seizure or nationalization of foreign deposits, and possible adoption of governmental restrictions which might adversely affect payments on non-U.S. financial instruments or might restrict payments to investors located outside the country of the issuers, whether from currency blockage or otherwise. In addition, dividend, interest payments from, and capital gains in respect of, certain non-U.S. financial instruments may be subject to non-U.S. withholding or other taxes that may or may not be reclaimable.

With respect to any country, there is the possibility of nationalization, political changes, government regulation, social instability, or diplomatic developments (including war) which could adversely affect the economies of such countries or the value of the investments of the Portfolios in those countries.

Highly Volatile Markets – The prices of financial instruments in which the Portfolios may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Portfolios may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies.

Counterparty Risk – Some of the markets in which the Portfolios may affect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the Portfolios to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus potentially causing the Portfolios to suffer losses. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where the Portfolios have concentrated their transactions with a single or small group of counterparties. The Portfolios are not restricted from dealing with any counterparty or from concentrating any or all its transactions with any single counterparty. Moreover, Tower Bay’s internal credit functions, which evaluate the creditworthiness of its counterparties, may prove insufficient. The lack of a complete and “foolproof” evaluation of the financial capabilities of the counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Portfolios.

General Economic and Market Conditions – The success of the Portfolios’ activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds’ and/or Managed Accounts’ investments), trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist acts or security

operations). These factors may affect the level and volatility of securities' prices and the liquidity of the Portfolios' investments. Volatility or illiquidity could impair Portfolio profitability or result in losses. The Portfolios may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets, the larger the positions, the greater the potential for loss.

Unpredictable or unstable market conditions may result in reduced opportunities to find suitable investments to deploy capital or make it more difficult to exit and realize value from the Funds and/or Managed Accounts' existing investments. It is important to understand that the Portfolios can incur material losses even if they react quickly to difficult market conditions and there can be no assurance that the Portfolios will not suffer material adverse effects from broad and rapid changes in market conditions.

Dependence on Key Manager and Employees - Client portfolios are dependent on the continued service and active trading efforts of its key managers and employees. If the services of any such key managers or employees with Tower Bay were to discontinue or lapse for any reason, client portfolios in all likelihood can be adversely affected.

ESG Criteria and Risks – An additional level of scrutiny is placed on a Fund that includes Environmental, Social, and Governance ("ESG") criteria. Tower Bay's individual cash bond investments (excluding U.S. Treasuries) are generally tracked using ESG criteria through sources available. The purpose is to provide additional portfolio transparency by publishing tracking statistics and commentary for investors to illustrate the impact of investments.

While Tower Bay does not hold itself out to investors as an "ESG" manager, the classification and tracking of securities in a portfolio based upon ESG criterion involves a focus on environmental, social, and governance issues. In the marketplace, "ESG investing" may be referred to in many different ways, such as sustainable investing, socially responsible investing, and impact investing. ESG practices can include, but are not limited to, strategies that select companies based on their stated commitment to one or more ESG factors; for example, companies with policies aimed at minimizing their negative impact on the environment, social issues, or companies that focus on governance principles and transparency. ESG practices may also entail screening out companies in certain sectors or that, in the view of the investor, demonstrate poor management of ESG risks and opportunities or are involved in issues that are contrary to the investor's own principals. As Tower Bay tracks municipal bond investments across the ten proceeds strategies and their alignment with SDGs as described in this document, such tracking and ratings applied is subjective and could be contrary to the investor's own views and principals.

In the marketplace, ESG screening has risks including that it may not encompass all environmental, social or governance issues and that such an approach may not lead to greater portfolio performance." ESG screening" and "ESG investments" are terms that are not defined in the federal securities laws, may be subjective, and may be defined in different ways by different managers, advisers or investors. There is no SEC "rating" or "score" that could be applied across a broad range of bond issuers. While many different private ratings based on different ESG factors

exist, they may differ significantly from each other. Different managers may weight environmental, social, and governance factors differently. Some ESG managers may consider data from third party providers, which could include “scoring” and “rating” data compiled to help managers compare bond issuers. Some of the data used to compile third party ESG scores and ratings may be subjective. Other data may be objective in principle, but are not verified or reliable. Third party scores also may consider or weight ESG criteria differently, meaning that companies can receive widely different scores from different third party providers.

Tower Bay’s practices may influence performance. Because securities may be included or excluded from portfolios based on traditional fundamental analysis and other investment methodologies, including a review of certain ESG factors, a client’s performance may differ (either higher or lower) from the overall market or comparable accounts that do not employ similar practices.

Investors should also reference the Municipal Bond Fund’s confidential memorandum regarding certain ESG risk disclosures.

Catastrophe Risks - The Portfolios may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes, and other natural disasters; terrorism; and public health crises, including the occurrence of a contagious disease. To the extent that any such event occurs and has a material effect on global financial markets or specific markets in which the Portfolios participate (or has a material effect on locations in which the Tower Bay operates), the risks of loss can be substantial and could have a material adverse effect on the Portfolios and the investors’ investments therein.

Pandemic Risks - In December 2019, a novel strain of coronavirus (known as COVID-19) surfaced in Wuhan, China, which has resulted in the temporary closure of many corporate offices, retail stores and manufacturing facilities across the United States, China, and South Korea, among other affected countries. These closures have caused the disruption of manufacturing supply chains and local and global economies, the duration of which remains uncertain. Pandemics that spread across the world, results in additional market disruptions. The extent to which COVID-19 may negatively affect the operations of Tower Bay and the performance of the Portfolios is difficult to predict. Any potential impact on such operations and performance will depend largely on future developments and new information that may emerge regarding the duration and severity of COVID-19 and the actions taken by authorities and other entities to contain COVID-19 or treat its impact. These potential impacts, while uncertain, could adversely affect the performance of the Portfolios.

Russian Invasion of Ukraine - On February 21, 2022, Russian President Vladimir Putin ordered the Russian military to invade two regions in eastern Ukraine (the Donetsk People’s Republic and Luhansk People’s Republic regions). The following day, the United States, United Kingdom and European Union announced sanctions against Russia. On February 24, 2022, President Putin commenced a full-scale invasion of Russia’s pre-positioned forces into Ukraine, including Russia’s forces pre-positioned in Belarus. In response, the United States, United Kingdom, and European

Union imposed further sanctions designed to target the Russian financial system, and thereafter a number of countries have banned Russian planes from their airspace. The U.S. and allied countries have recently taken steps to prevent certain Russian banks from accessing international payment systems and implemented sanctions on certain Russia exports, including oil and natural gas. Additionally, the U.S. and allied countries have issued sanctions on certain foreign individuals and national leaders who have supported Russia's invasion of the Ukraine, restricting such persons from particular transactions in the U.S. and allied countries. Further sanctions may be forthcoming. Russia's invasion of Ukraine, related cyberattacks, the displacement of persons both within Ukraine and to neighboring countries and the increasing international sanctions could have a negative impact on various economies and business activity globally (including in the countries in which the Funds invest), and therefore could adversely affect the performance of Client investments. Furthermore, given the ongoing and evolving nature of the conflict and its ongoing escalation, it is difficult to predict the conflict's ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to Clients and the performance of their investments or operations, and the ability of the Clients to achieve their investment objectives.

Cybersecurity and Disaster Recovery Risks - Cyber incidents affecting Tower Bay and its various service providers have the ability to disrupt and impact business operations, potentially resulting in financial losses, interference with an advisor's ability to value its client's securities or other investments, impediments to trading, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional legal and compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of invested securities, counterparties to transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions and other parties. In addition, substantial costs may be incurred to prevent any cyber incidents in the future. While business continuity plans and risk management systems are designed to prevent and mitigate cyber incidents and other disasters, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Tower Bay has limited cyber security and disaster recovery plans for its operations and relies on outside parties for some key operational functions, who in turn may also have limited cyber security and disaster recovery plans, which could negatively impact investors.

Artificial Intelligence Engines and Machine Learning (collectively "AI") - Tower Bay defines AI as a term used to describe computer systems and software programs designed to simulate human intelligence to perform tasks, such as investment analysis and decision-making, given a set of human-defined objectives. AI models reach conclusions through reasoning and self-correct to improve analysis. AI programs may autonomously execute trading decisions or may assist staff in making trading decisions. AI may include, but is not limited to, unsupervised machine-learning, supervised machine learning, deep learning, reinforcement learning, natural language processing, and neural networks. AI encompasses the idea of machines mimicking human intelligence, whereas (non-AI) computer algorithms are the specific instructions that enable computers to perform tasks. Algorithms are a component of AI, used to implement various AI

techniques and approaches. Tower Bay generally prohibits the use of AI but as part of our investment management process, Tower Bay may use AI for investment research or decision process. When relying on AI there are certain risks involved, including data quality, copyright and trade secret violations, confidentiality breaches, unauthorized access or malware risks, insider trading, breach of contract, cybersecurity, and privacy law violations. Data inputs and outputs are assessed and evaluated for data integrity, however, there is no assurance of accuracy, and your account may be negatively affected.

Item 9 - Disciplinary Information

There are currently no legal issues or disciplinary events to report that would be material to a Client's or prospective Client's evaluation of Tower Bay's advisory business or the integrity of its management. To the best of our knowledge, there have never been any securities-industry related criminal or civil actions, administrative proceedings or self-regulatory organization proceedings involving Tower Bay or any of its personnel.

Item 10 - Other Financial Industry Activities and Affiliations

Tower Bay currently does not engage in other financial industry activities or maintain other financial industry affiliations. Tower Bay does not have any broker-dealer, futures commission merchant, commodity pool operator or commodity trading advisor registrations (or pending registrations). Tower Bay does not recommend other advisors to its Clients or investors.

Tower Bay Capital GP LLC serves as the general partner of Tower Bay. Any individuals acting on behalf of Tower Bay Capital GP LLC are subject to the supervision and control of Tower Bay in connection with any investment advisory activities.

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

Tower Bay has adopted a code of ethics that sets forth standards of ethical and business conduct expected of the personnel of Tower Bay and its affiliates and addresses conflicts that may arise from personal trading by Tower Bay personnel. Tower Bay's code of ethics, among other things, requires compliance with the federal securities laws, reflects Tower Bay's fiduciary responsibilities and those of its advisory personnel, prohibits certain personal securities transactions, requires Tower Bay personnel to periodically report their personal securities transactions and holdings and to pre-clear non-exempt personal securities transactions and addresses policies regarding the prevention of the misuse of material nonpublic information. The code of ethics is provided to any Client or investor or potential Client or investor upon request.

Tower Bay may recommend to Clients the purchase or sale of securities in which Tower Bay employees and related persons may have a financial interest or position. Employees and related persons may also serve as directors of companies whose related securities Tower Bay may

purchase or sell on Clients' behalf. Although not a general practice, Tower Bay employees may maintain outside business relationships, trade with counterparties and/or hire service providers who are also investors in the Private Funds or Managed Accounts, or Tower Bay's personnel may invest in a company where the company has an investment in a Tower Bay Fund or Managed Account. Tower Bay employees may invest in a company that may invest in securities or other investments that may be eligible for investment in a Private Fund or Managed Account.

Such relationships may present a conflict of interest between Tower Bay and its Clients. Employees' personal economic interests may create an incentive for those employees for a current or prospective investor to invest in a current or future Private Fund or Managed Account while that investment may not be in the best interests of that current or prospective investor. Tower Bay employees and related persons do not buy securities from or sell securities to Clients as a principal.

In such cases, Tower Bay's code of ethics imposes certain restrictions on employees and related persons who are deemed as "Access Persons" regarding purchases and sales of the securities of the companies which Tower Bay has recommended to its Clients and the pre-approval of any limited offerings or other private securities transactions by the Chief Compliance Officer. Tower Bay employees are also required to seek pre-clearance of outside business activities from the Chief Compliance Officer and report potential conflicts of interests in general and via the use of a conflicts of interest questionnaire. Tower Bay's Chief Compliance Officer periodically monitors Access Persons' personal and related accounts against Tower Bay's code of ethics policies and restricted list for any violations of the code of ethics.

Tower Bay may have trading and/or other commercial relationships including sub-advisory relationships with companies whose affiliate(s) are investors in a Private Fund, Fund or Managed Account. Such relationships may present a conflict of interest between Tower Bay and its other Clients as Tower Bay may be incentivized to focus more time on, and provide enhanced management services to, investors whose affiliates engage Tower Bay. Tower Bay's Chief Compliance Officer monitors all such potential conflicts of interest through various reviews as testing as conducted.

Item 12 - Brokerage Practices

Best Execution

Tower Bay's selection of broker-dealers to effect securities transactions for Clients must be guided by the principal objective of seeking to obtain best execution for Clients. "Best execution" does not necessarily mean obtaining the lowest possible price for any particular transaction; however, Tower Bay will attempt to execute investment transactions at the best price, considering all relevant circumstances and primary and secondary factors. The primary factors considered are price, the extent to which broker dealers make markets in the security involved, liquidity of the market for that security, the size, type and difficulty of the transaction, history of

the broker dealers' executions with Tower Bay and the quality and usefulness of investment ideas presented to Tower Bay. Secondary factors considered are the broker-dealers' expertise in the specific securities or sectors in which Tower Bay seeks to trade, availability of accurate information regarding the market for the security, the broker-dealers' reputations for diligence, fairness and integrity, confidentiality considerations, the broker-dealers' promptness of execution, the broker-dealers' financial stability and the broker-dealers' ability to accommodate any special execution or order handling requirements that may surround the particular transaction.

Tower Bay's best execution reviews are primarily focused on secondary trades in the marketplace for all Clients and its trading strategy for Clients. Such reviews consist of monitoring the liquidity and availability of securities in the marketplace based on size and pricing comparisons between broker-dealers where available. Tower Bay's approach to best execution is not necessarily evaluated on a transaction-by-transaction basis, but also on an overall basis over an extended period.

Each securities transaction involves numerous individual decisions that can, at times, make it difficult, if not impracticable, to find multiple broker-dealer price quotes. In addition, a security may be traded by a single broker-dealer or only a single broker dealer may be able to execute a particular size trade, in which case no comparable price quotes exist. Tower Bay may accept the initial prices offered by a broker-dealer without the ability to visualize or seek out further prices when Tower Bay determines the security to be a favorable investment opportunity for its Clients.

While Tower Bay generally seeks reasonably competitive trade execution cost, Tower Bay does not necessarily pay the lowest spread available provided that the difference in the spread is reasonably justified by the quality of the execution services provided. Tower Bay is not required to allocate either a stated dollar or stated percentage of its transactions to any broker-dealer for any minimum period and reviews such relationships from time to time.

Tower Bay does not have any soft dollar arrangements (i.e., arrangements under which Tower Bay agrees to pay more than the lowest available commission for products or services provided by a broker-dealer). In the event that Tower Bay may cause a client to pay a broker-dealer that provides brokerage or research services (either directly or through third-party relationships) a transaction cost in excess of that which another broker-dealer would have charged, Tower Bay will evaluate any potential soft dollar arrangements in order to determine in good faith whether or not such commission or transaction cost is reasonable in relation to the value of brokerage, research or other services provided. Tower Bay currently has no soft dollar arrangements.

Tower Bay may use full-service broker-dealers that provide research or other products or services to most or all their customers without being requested to do so, and Tower Bay may on occasion receive and use research provided by these full-service broker-dealers and research downloaded through third party subscription only based vendor sites. This information is presented to Tower Bay in several formats including, but not limited to, formal research reports, bulk data downloads, emails, and various presentations. In this situation, Tower Bay receives a benefit

because it does not have to produce or pay for the research. Tower Bay may have an incentive to select broker-dealers based on its interest in receiving the research or other products or services, even though no soft dollar arrangements are in place, rather than on Tower Bay's Client interests in receiving the most favorable execution. However, since the research provided is not material in nature and quantity and is provided by most broker-dealers with which Tower Bay deals, Tower Bay's receipt of such research does not have a material effect on Tower Bay's selection of broker-dealers. Tower Bay does not separately compensate such broker-dealers for the provision of such services and does not believe that it "pays up" for such services. The research received is used for the benefit of all Tower Bay Clients. Tower Bay does not direct investor transactions to a particular broker-dealer in return for any soft dollar benefits.

Broker-dealers (including prime brokers) may assist Clients in raising additional capital from investors. Representatives of Tower Bay may speak at conferences and programs sponsored by prime brokers for investors interested in investing in hedge funds or managed account structures. Through such "capital introduction" events, prospective investors in the Private Funds and/or Managed Accounts would have the opportunity to meet with Tower Bay representatives.

Tower Bay, nor any affiliate of Tower Bay, nor any Clients will compensate any broker-dealer for organizing such events or for any investments ultimately made by prospective investors attending such events. Tower Bay may have an incentive to select a broker-dealer based on its interest in receiving Client and investor referrals, rather than on Tower Bay's Client interests in receiving most favorable execution. However, while such services provided by a broker-dealer may influence Tower Bay in deciding whether to use such broker-dealer in connection with brokerage, financing and other activities for Clients, Tower Bay and its affiliates will not commit to allocate a particular amount of brokerage to a broker-dealer in any such situation nor will Tower Bay select that broker-dealer to effect a transaction for Clients if the most favorable execution is not being received. Tower Bay does not select broker-dealers based on the receipt or potential receipt of any Client or investor referrals from those broker-dealers.

Tower Bay's employees may provide or receive gifts or entertainment from representatives of broker-dealers that that conducts business with Tower Bay. As a result, Tower Bay may have an incentive to select a broker-dealer based on its interest in receiving gifts or entertainment rather than on Tower Bay's Client interests in receiving most favorable execution. Employees are only permitted to give or receive business-related meals, entertainment, gifts or favors when the value involved is not significant and clearly will not create any appearance of a conflict of interest or an obligation to the donor. Tower Bay's compliance policies requires notification and/or pre-approval from the Chief Compliance Officer of gifts and entertainment above a certain dollar threshold.

Tower Bay is not involved in any type of directed brokerage practices relative to its Clients.

As part of the monitoring process, the Chief Compliance Officer conducts periodic sample reviews of Tower Bay's trades for best execution purposes. Such frequency, methods and depth of reviews may change based on the risk assessments conducted by the Chief Compliance Officer.

Allocation of Investment Opportunities

Tower Bay has a fiduciary obligation to use its best efforts to ensure that no Client is treated unfairly in relation to any other Client in the allocation of securities and trading opportunities or the order of the execution of transactions. These trade allocation policies and procedures incorporate (i) the applicable restrictions of the federal securities laws, including the Investment Advisers Act of 1940 and (ii) general principles of fiduciary duty relating to the bunching of transactions and the allocation of purchases and sales of securities among clients.

Notwithstanding the foregoing, Tower Bay recognizes that in certain circumstances, strict compliance with these procedures may not be feasible, that unusual or extraordinary conditions may on occasion warrant deviation from the standard practices, and procedures set forth herein. In such circumstances, the Chief Compliance Officer shall determine the appropriate action, which, in his reasonable judgment, will serve the best interests of, and will be fair and equitable to, all Clients.

Tower Bay shall recommend, purchase, or sell securities on behalf of Clients based on their respective investment objectives and policies. Each transaction should be suitable for each Client considering the characteristics of the specific security and the overall portfolio composition of such Client and in accordance with the terms of the governing documents for a Private Fund and Managed Account agreements. Tower Bay has a fiduciary obligation to use its best efforts to ensure that no Client is treated unfairly in relation to any other Client in the allocation of securities or the order of security recommendations and execution of transactions. Tower Bay shall create and retain documentation of allocations made among Clients.

Tower Bay will consider for each Client all investment opportunities brought to its attention that satisfy such Client's overall investment objectives. Whether a particular opportunity meets the overall investment objectives of a particular Client will be determined by Tower Bay under the prevailing circumstances which may include the following factors: liquidity; relative capitalization; cash availability, investable funds and target cash position; size/amount of the available opportunity; tax considerations; legal considerations; regulatory considerations, including UCITS regulations, as applicable; strategy considerations including allocation limitations and overflow considerations as per the fund governing documents, as applicable; borrowing-based considerations; minimum investment criteria; investment time horizon; portfolio return objectives; portfolio risk profile; portfolio concentration considerations; diversification and exposure considerations; historical and anticipated subscriptions and redemptions; and commitment, contribution, and redemption patterns.

As a fiduciary, Tower Bay cannot arbitrarily distinguish among its Clients and Tower Bay cannot internally, disproportionately allocate promising positions to underperforming Clients or to Clients with disproportionate asset levels to boost performance or vice versa. However, Tower Bay may, in good faith, determine those certain investments should be allocated only to specific Clients based on the factors as described.

In instances in which positions are completely liquidated, sell orders may be aggregated for Clients. The sale price of the specific investment sold is applied to the position amount held for each Client included in the sell order. Investable funds, as defined below, is adjusted to reflect sales.

In instances in which positions are partially liquidated, sell orders may be aggregated for Clients. The sale price of the specific investment sold will be applied to the position amount held for each Client included in the sell order. Should the traded amount be less than the quantity offered for sale, the investment sold would be allocated pro rata to Clients based on the ratio of original face amount of the investments offered for sale to the original face amount of investments that are liquidated. The sales price of the investment will be the same for all Clients that sell investments.

Allocation of Investments Purchased

Tower Bay will determine eligible Clients that will participate in the allocation and the amount of investable funds - which includes short-term investments, anticipated interest and principal proceeds, anticipated subscriptions and redemptions and any other amounts Tower Bay believes to be relevant – for each Client. At the sole discretion of Tower Bay, accounts that have investable fund balances less than \$100,000 may be considered to have a zero balance for purposes of allocation of filled purchase orders.

Allocation of Filled Purchase Orders

Investable funds are combined, subject to the minimum balance of investable funds, for purchase orders for all Clients for which the purchased security is deemed appropriate. Generally, filled purchase orders will be allocated to each Client based on the ratio of the net asset value of each Client to the total net asset value for all Clients for which such purchased security is deemed to be appropriate, subject to the amount of investable funds for each Client and any concentration limits. However, Tower Bay may increase or decrease the amounts of securities allocated to each Client, if necessary, to avoid having an illiquid or small number of shares held for any Client and with consideration of known near-term future subscriptions and redemptions in a Private Fund and may deviate from this allocation methodology based on specific factors as described in the General Policies and Procedures provided above. Each filled order will be allocated to a Client at the price paid for the investment. Tower Bay will keep records of all allocations.

Overrides (Allocation Rule Changes)

Tower Bay portfolio managers and traders may, in good faith, override hard and soft rule changes at the portfolio or security level to accommodate an allocation or for other reasons for Clients. Such overrides are approved by an authorized portfolio manager and effected in accordance with the fiduciary principles and best interests of all Clients and in some cases, based on the consent from the Client where applicable.

Re-allocation of Executed Orders

A re-allocation of a security after the final execution of the original order (allocation) and where there is no economic impact to any Client, is permissible without Chief Compliance Officer approval at no later than one hour after the markets open on T+1 (next trade date). Any re-allocations after this period must be pre-approved by the Chief Compliance Officer. The trade order may be re-allocated on a basis different from that specified on the original order record and the reason for the change must be documented. Re-allocations must be methodical to ensure that all eligible Clients are considered for the re-allocation and that each Client participating in the allocation receives a fair and equitable allocation and not favor or disadvantage any Client.

Rotational Allocation Basis

Tower Bay in its sole discretion may allocate both purchased and sold assets in a rotational allocation among Client portfolios.

Allocations to Non-Discretionary Clients

If Tower Bay maintains non-discretionary Client relationships where the Client is duly authorized in accordance with the Managed Account or Private Fund agreement to approve all investment opportunities brought to them by Tower Bay, Tower Bay may aggregate trades with other discretionary Client trades for the same security but is not obligated to do so subject to the timing of the approval of the trade from the non-discretionary Client. Tower Bay must also ensure that the timing of the approval of a non-discretionary trade for the same security traded for discretionary Clients does not impose additional investment risks, lost investment opportunities or impede on Tower Bay's best execution or other fiduciary obligations for those discretionary Clients.

Allocations of Co-investment Opportunities

Tower Bay may, on occasion, present a co-investment opportunity on a discretionary or non-discretionary basis to a prospective or existing Client or investor. A "co-investment opportunity" is an opportunity for a prospective or existing Client or investor to invest in a security or a portfolio of securities in a Managed Account structure or special purpose vehicle alongside an existing Private Fund and/or other Client account and could present certain conflicts of interests. To address potential conflicts of interests, Tower Bay has in place policies and procedures that shall apply when Tower Bay makes a recommendation of a co-investment opportunity to a prospective or existing Client or investor including offering the co-investment opportunity to all prospective or existing Clients who are eligible for the co-investment, in light of the special characteristics of the securities and factors as noted in this allocation policy, disclosure obligations in Form ADV disclosure documents and pre-approvals by the Chief Compliance Officer.

Changes to Allocation Methodologies

The Chief Compliance Officer approves any changes to the allocation methodologies as described in the policy.

Principal and Cross Transactions

Principal trades are trades in which a Client buys securities for its own account from or sells securities for its own account to Tower Bay acting for its own account. Principal trades may only be undertaken if Client consent is obtained for each specific transaction prior to execution. Cross-trades between Clients are only executed by Tower Bay if client consent has been obtained, the trade is done at a fair price and the trade is done for the benefit of both Clients. All principal and cross trades require the pre-approval by the Chief Compliance Officer.

Trade Errors

Tower Bay's traders may on occasion experience errors with respect to trades made on behalf of Clients. Trade errors can result in a variety of situations. If it is determined that the trade error was caused by Tower Bay in its capacity as investment adviser to a client, the trade error will be brought to the attention of the Chief Compliance Officer and the principal officers. Once a trade error is detected, Tower Bay will correct it in an expeditious manner. The identification of trade errors and the proper method for resolving them in any circumstance can vary and depends on the facts and circumstances. Errors or discrepancies that are identified on trade date that can be cancelled and/or reallocated and do not result in any economic impact to Client accounts and errors that do not result in transactions in Client accounts will not be viewed as "trade errors" and therefore are not subject to Tower Bay's trade error correction procedures. Client gains caused by trade errors will be credited to the affected Client. Tower Bay may also set forth its trade error policy with specificity in any Private Fund offering memoranda.

Item 13 - Review of Accounts

The portfolio managers review any information submitted by each new prospective Client, including asset and sector limitations for investment, prior to initial trading for appropriateness of all assets placed in the account. The portfolio managers monitor the Client accounts and their constituent positions daily. Specifically, the portfolio managers monitor the Client accounts for asset performance and analyze market risk factors portfolio, sector concentrations and overall account composition.

Investors will receive monthly reporting for their individual investments and for the Private Fund sponsored by Tower Bay. This reporting reflects the net asset value of their individual investment, their individual returns for the month and year-to-date, the asset/sector allocation for the Private Fund and the Private Fund's overall size and returns. Some investors may also require specific position reporting which includes specific performance and risk metrics.

Managed Accounts will receive reports as agreed upon in the pertinent Managed Account agreements.

Item 14 - Client Referrals and Other Compensation

Tower Bay's fundraising and solicitation efforts for new Clients and investors are primarily sourced and negotiated via industry-based relationships. Tower Bay or its affiliate may enter written arrangements with placement agents or solicitors. To the extent Tower Bay engages a placement agent, such terms and conditions will be disclosed to each Client consistent with applicable law.

Item 15 - Custody

All Client assets are held in custody of unaffiliated qualified custodians. Tower Bay is deemed to have custody of the Municipal Bond Fund assets and other Private Funds in the future because an affiliate of Tower Bay may act as the general partner for the funds and has control over cash and securities in the Private Fund's accounts. Fund investors will not receive quarterly account statements from the custodian; rather, the Private Funds will be subject to an annual audit by an independent PCAOB accountant, and the audited financial statements are distributed to each Private Fund investor.

Tower Bay will not accept custody of any funds or securities of its Managed Accounts or pooled investment vehicles in a sub-advisory relationship as such accounts are held by a qualified custodian, and Tower Bay will not be able to debit fees and will provide an invoice to the Client for payment for fees from these Clients.

Item 16 - Investment Discretion

Tower Bay has both discretionary and non-discretionary investment authority as it relates to Clients (subject to possible restrictions in the Private Fund governing documents, sub-advisory or Managed Account agreements). Discretionary authority is assumed at the time an investor subscribes to any Private Fund via a subscription agreement and deposits funds into the subscription account or executes a sub-advisory or Managed Account agreement and deposits funds into an account. Tower Bay may engage in Managed Accounts or consulting agreements on a non-discretionary basis in the future and currently retains one sub-advisory relationship with an unaffiliated Private Fund on a non-discretionary basis and may accept similar Clients in the future.

Item 17 - Voting Client Securities

Tower Bay generally does not manage securities that require voting proxies on behalf of Clients. Therefore, Tower Bay's Proxy Voting Policy applies to situations where Tower Bay could pursue other investment strategies or obtain public equity securities because of a "restructuring" or for some other reason and have the authority to vote proxies and respond to all corporate actions for securities held in Tower Bay's Client accounts. If Tower Bay provides investment advisory

services where the securities held require a proxy vote or holds equity securities positions that require a proxy vote, Tower Bay shall exercise its proxy voting rights and monitor such corporate actions in accordance with its proxy voting policies. In general, Tower Bay shall vote proxies in what it determines to be the best interest of its Clients.

When a proxy-voting situation arises, Tower Bay will determine if Tower Bay has a conflict of interest, which would affect the proxies being voted. If a conflict is found to exist, Tower Bay will not vote the proxies and will refer the matter to its Clients and recommend that they vote the proxies themselves. However, given the lack of affiliations, it is expected that majority of all proxies will be voted by Tower Bay.

Assuming no conflict of interest exists, if a Client who has authorized Tower Bay to vote proxies on its behalf nevertheless instructs Tower Bay to vote its proxy in a fashion different from Tower Bay's recommendation with respect to such vote, Tower Bay will vote the proxy in accordance with the Client's written instructions.

Item 18 - Financial Information

Tower Bay is not aware of any financial condition affecting the firm that is reasonably likely to impair Tower Bay's ability to meet contractual commitments to Clients.