

**Proxima Capital Management, LLC**

**March 26, 2019**

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**This Brochure provides information about the qualifications and business practices of Proxima Capital Management, LLC (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this Brochure, please contact (212) 897-5717. This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

Registration as an investment adviser with the SEC or with any state securities authority does not imply that the Adviser or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or in any other business.

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**Item 2. Material Changes**

The Adviser is updating its brochure dated March 27, 2018 as part of its annual amendment filing. Since such filing, the Adviser has not amended this brochure.

All changes to this brochure are ordinary course updates or clarifications.

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#### **Item 4. Advisory Business**

The Adviser, a New York limited liability company, is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser in 2004 and has been registered with the SEC since 2007. Youlia Rowland is the principal owner of the Adviser.

The Adviser provides discretionary investment advisory services to Proxima Capital, LP, Proxima Capital Offshore, Ltd. and Proxima Capital Master Fund, Ltd., which are private investment funds intended for sophisticated investors (the “Funds”), and may in the future offer such services to sophisticated investors through separately managed accounts (the “Accounts”). The Funds and any future Accounts are collectively referred to herein as the “Clients”.

The Adviser provides advice to its Clients based on specific investment objectives and strategies. The Adviser does not tailor advisory services to the individual needs of investors in the Funds.

Clients may not impose restrictions on investing in certain securities or certain types of securities.

As of December 31, 2018 the Adviser had approximately \$186 million in client regulatory assets under management, all of which is managed on a discretionary basis.

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#### **Item 5. Fees and Compensation**

The Funds pay the Adviser quarterly management fees in advance at a rate of up to 1.5% per annum of the net assets under management of the respective Fund as of the first day of each quarter (collectively, the “ManagementFee”).

In the event an additional contribution is made to a Fund during a quarter, the Management Fee will be charged as of the date of the additional contribution based on the value of the net assets as of such date and will be prorated for the number of months remaining in the quarter. In the event a withdrawal or redemption is made from a Fund during a quarter, the Management Fee will be refunded based on the number of months remaining in the quarter. The Adviser receives the Management Fee each quarter by instructing the administrator of the Funds to deduct the Management Fee from their respective accounts.

The Adviser (or a related person of the Adviser) typically receives an annual performance-based fee or allocation, which may be paid or allocated to the Adviser (or to a related person of the Adviser) and is typically an amount equal to 20% of the profits (including realized and unrealized gains and losses) allocated to a Client, subject to a loss carryforward.

The Adviser may offer lower or different Management Fee and performance-based compensation schedules to clients (including investors in the Funds) based on a variety of factors, including, among other things, the nature of investments and length of relationship with the Adviser or its related persons. In addition, the Adviser, its partners and related entities, and their respective partners, directors and employees, may invest in the Funds without being subject to the Management Fee or any performance-based compensation.

In addition to paying the Management Fee and performance-based compensation, Clients bear certain other expenses including but not limited to, to the extent applicable, legal, compliance, accounting (including third-party accounting services), audit and other professional fees and expenses, tax preparation fees, administration fees and expenses, a portion of the Adviser’s D&O and E&O insurance costs, expenses of regulatory filings that are made with respect to Clients, research expenses (including research-related travel), investment expenses such as commissions, custodial fees, interest on margin accounts and other indebtedness (if any), bank service fees and other expenses related to the purchase, sale or transmittal of Client assets. Client assets may be invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. For a more detailed discussion of fees and expenses, investors should refer to the relevant Fund’s governing documents.

In addition, clients will incur brokerage and other transaction costs. Please refer to Item 12 of this Brochure for a discussion of the Adviser's brokerage practices.

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

The Adviser and its investment personnel provide investment management services to portfolios for multiple Clients. The Adviser (or a related person of the Adviser) is paid performance-based compensation by the Funds. In addition, the Adviser's investment personnel are typically compensated on a basis that includes a performance-based component. Certain Clients may be subject to a higher Management Fee than other Clients. When the Adviser and its investment personnel manage more than one client account, a potential exists for one client account to be favored over another client account. The Adviser and its investment personnel have a greater incentive to favor Clients that pay the Adviser or a related person of the Adviser (and indirectly the portfolio manager) higher fees.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. In allocating securities among its clients, the Adviser generally considers, among other things, (i) a client's investment objective and strategies; (ii) a client's risk profile; (iii) a client's tax status; (iv) any restrictions placed on a client's portfolio by the client or by virtue of federal or state law (such as the Employee Retirement Income Security Act of 1974, as amended ("ERISA")); (v) the size of a client's account; (vi) total portfolio invested position; (vii) nature of the security to be allocated; (viii) size of available position; (ix) supply or demand for a security at a given price level; (x) current market conditions; and (xi) timing of cash flows and account liquidity. Transactions involving fewer than 1,000 shares will be allocated in any manner deemed appropriate by the Adviser under the circumstances. In circumstances where the Adviser aggregates Client orders for the purchase or sale of securities, assuming identical investment objectives and structures and absent other compelling circumstances, orders are generally allocated among Clients pro rata based on assets under management. In addition, in such circumstances, the Client orders are price-averaged. Please refer to Item 12 of this Brochure for a further discussion of the Adviser's practice of aggregating orders for execution for its Clients.

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#### **Item 7. Types of Clients**

The Adviser's Clients currently consist of the Funds.

With respect to the Funds, any initial and additional subscription minimums are disclosed in the offering memorandum for the applicable Fund. With respect to Accounts, the Adviser does not have any standard requirements for opening or maintaining an account and may, in its discretion, require a different investment minimum for any Account.

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

The Adviser seeks to achieve superior absolute returns on a risk-adjusted basis by investing primarily in equity securities and to a lesser extent in a variety of domestic and international securities, including but not limited to debt securities (including high-yield and distressed debt), warrants, rights, options, swaps, preferred stocks, convertible securities, publicly-traded Master Limited Partnerships ("MLPs"), currencies and money market obligations.

The Adviser's strategy focuses on situations, frequently complex in nature, where traditional valuation methods are not appropriate or feasible. The Adviser seeks to identify and take positions in special situation securities that are frequently misunderstood and inefficiently priced by the markets where the Adviser believes that the differences between the fair value and the market price will likely be eliminated over time. The Adviser may take long or short positions in equities or other securities where it believes that the price-to-value gap will close over time based on fundamental changes in the business or the market gaining a better understanding of a complex situation. The Adviser performs fundamental analysis by developing an

understanding of the situation and value drivers and performing the requisite field research in order to quantify any mis-pricings.

The Adviser may sell securities short both in an endeavor to protect Clients against a declining market and to identify profit opportunities for its Clients.

These methods, strategies and investments involve risk of loss to Clients, and Clients must be prepared to bear the loss of their entire investment.

Material risks (including significant or unusual risks) relating to the Adviser's investment strategies include:

Short Sales. Short selling, or the sale of securities not owned by a Client, necessarily involves certain additional risks. Such transactions expose a Client to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by a Client in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Client might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier. From time to time regulatory or legislative action taken by U.S. or Non-U.S. regulators may restrict the ability of a Client to engage in short selling, which could impact a Client's ability to carry out its investment program.

Special Situations. A Client may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and 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, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price to a Client 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, a Client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Client may invest, there is a potential risk of loss by a Client of its entire investment in such companies.

Options. The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, either to purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

High Yield Securities. A Client may invest in "high yield" bonds and preferred securities that are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower- rated securities.

Non-U.S. Securities. Investing in securities of non-U.S. governments and companies that are generally denominated in currencies other than the U.S. dollar, and utilization of non-U.S. currency forward contracts and options on non-U.S. currencies involve certain considerations comprising both risks and opportunities

not typically associated with investing in securities of United States issuers. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than are generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. As a result, a Client may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with these markets. It may also be difficult to enforce a Client's rights in these markets. The protections accorded to a Client under certain U.S. investments and federal and state laws and regulations may not be available when making an investment outside of the U.S.

Currency Risks. A Client's investments that are not denominated in U.S. dollars are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Master Limited Partnerships. A Client may invest in securities of master limited partnerships ("MLP"s). Investments in securities of an MLP involve risks that differ from investments in the equity securities of a company, including risks related to limited control and limited rights to vote on matters affecting the MLP, risks related to potential conflicts of interest between the MLP and the MLP's general partner, cash flow risks, dilution risks and risks related to the general partner's right to require unit-holders to sell their common units at an undesirable time or price. Certain MLP securities may trade in lower volumes due to their smaller capitalizations, and may be subject to more abrupt or erratic price movements and lower market liquidity because of the underlying assets they hold. MLPs are generally considered interest-rate sensitive investments. During periods of interest rate volatility, these investments may not provide attractive returns. MLPs are generally treated as partnerships for Federal income tax purposes. Partnerships do not pay Federal income tax at the partnership level. Rather, each partner is allocated a share of the partnership's income, gains, losses, deductions and expenses. A change in current tax law or a change in the underlying business mix of a given MLP could result in an MLP being treated as a corporation for Federal income tax purposes, which would result in the MLP being required to pay Federal income tax (as well as state and local income taxes) on its taxable income. This would have the effect of reducing the amount of cash available for distribution by the MLP and could result in a reduction in the value of the investment in the MLP and therefore lower income to a Client.

Counterparty Risk. To the extent a Client invests in swaps, "synthetic" or derivative instruments, repurchase agreements, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. securities, the Client takes the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions that generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. The Adviser will seek to mitigate these risks by recommending a Client engage only highly-rated firms with substantial capital, credit and market expertise. The Adviser may diversify a Client's hedging relationships.

Leverage. A Client may utilize leverage. Leverage increases returns if the Client earns a greater return on leveraged investments than the Client's cost of such leverage. However, the use of leverage exposes the Client to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the Client not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Client's cost of leverage related to such investments. In case of a sudden, precipitous drop in value of the Client's assets, the Client might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Client.

In an unsettled credit environment, the Adviser may find it difficult or impossible to obtain leverage for a Client.

Since leveraging its assets is part of the investment program of the Client, in such event the Client could find it difficult to fully implement its program. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the Adviser being forced to unwind positions quickly and at prices below what the Adviser deems to be fair value for the positions.

Lack of Liquidity of Client Assets, Valuation. A Client's assets may, at any given time, include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value accurately any such investments.

Lack of Diversification. A Client's portfolio will not generally be as diversified as other investment vehicles. Accordingly, a Client's investments may be subject to more rapid change in value than would be the case if the Client were required to maintain a wide diversification among types of securities, geographical areas, issuers and industries.

ERISA Risks. It is anticipated that, at various times, the assets of the Clients may be deemed to be "plan assets" subject to Title I of the Employee Income Security Act of 1974, as amended ("ERISA"), and/or Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"). During these periods, the Adviser will be a fiduciary with respect to plans or accounts subject to Title I of ERISA and/or Section 4975 of the Code investing in the Client directly or indirectly through a "Benefit Plan Investor" (as defined below) and will be prohibited from causing the Client to engage in certain transactions. While the Adviser believes that it can effect a Client's investment strategies utilizing various statutory and class exemptions to ERISA's prohibited transaction regime, there may be particular transactions that ERISA and/or the Code will prevent a Client from entering into or investments that the Client must sell before it might otherwise do so.

Cybersecurity Risks. A Client, the Adviser and their service providers, including banks, broker dealers, custodians and their affiliates, may be subject to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information, unauthorized asset transfers and various other forms of cybersecurity breaches. Cyber-attacks affecting a Client, the Adviser or their service providers may adversely impact the Client. For instance, cyber-attacks may interfere with the processing or execution of Client transactions, cause the release of confidential information, including private information about Shareholders, subject the Client, the Adviser or their affiliates to regulatory fines or financial losses, or cause reputational damage. Additionally, cyber-attacks or security breaches (e.g., hacking or the unlawful redemption or transfer of funds), affecting any of the Client's key service providers, such as the Adviser, banks, broker dealers, custodians or other counterparties holding assets of the Client, may cause significant harm to the Client, including the loss of capital. Similar types of cybersecurity risks are also present for issuers of securities in which the Client may invest. These risks could result in material adverse consequences for such issuers, and may cause the Client's investments in such issuers to lose value.

Investors should reference the relevant Fund's governing documents for further discussion of the risks associated with an investment in such Fund.

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## **Item 9. Disciplinary Information**

The Adviser and its management persons have not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction.

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

Each of the Funds for which the Adviser serves as general partner or investment manager has entered, and may in the future enter, into agreements, or "side letters," with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for such Fund. For example, such terms and conditions may provide for,



among other things, special rights to make future investments in the Fund, other investment vehicles or managed accounts; rights to receive reports from the Fund on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Fund and such investors. The modifications are solely at the discretion of the Fund and may, among other things, be based on the size of the investor's investment in the Fund or affiliated investment entity, an agreement by an investor to maintain such investment in the Fund for a significant period of time, or other similar commitment by an investor to the Fund.

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

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its related persons to put the interests of the Adviser's clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser's personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Scott Donnelly (Chief Compliance Officer) by email at [sdonnelly@proximacapital.com](mailto:sdonnelly@proximacapital.com) or by telephone at (212) 897-5717. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the Client or using such information for the Client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

The Adviser does not engage in principal transactions.

The Adviser or its related persons may invest in the same securities (or related securities, such as warrants, options or futures) that the Adviser or a related person recommends to clients. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its related persons are in a position to trade in a manner that could adversely affect Clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the Clients' trades). In addition to affecting the Adviser's or its related person's objectivity, these practices by the Adviser or its related persons may also harm Clients by adversely affecting the price at which the Clients' trades are executed. In an effort to minimize such conflicts, the Adviser requires its related persons to preclear all transactions in their personal accounts with the Adviser's Chief Compliance Officer and Managing Member, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. In addition, the Code prohibits the Adviser or its related persons from executing personal securities transactions of any kind, including short sales, in any security that (1) a Client owns or is in the process of buying or selling; (2) the Adviser is researching, analyzing or considering buying or selling for a Client; or any security listed on the Adviser's Restricted List ("Restricted Securities"). All of the Adviser's related persons are required to direct their brokers or custodians to provide the Chief Compliance Officer with duplicate copies of securities trade confirmations within 30 days after the related person's transaction and the related person's brokerage statements on a monthly and quarterly basis. This reporting is completed by setting up automatic brokerage data feeds within Compliance Elf, the Adviser's compliance reporting platform. Trading in employee accounts are reviewed by the Chief Compliance Officer, or his designee.

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## Item 12. Brokerage Practices

The Adviser receives research or other products or services other than execution from a broker-dealer in connection with client securities transactions. This is known as a “soft dollar” relationship. The Adviser will limit its use of “soft dollars” to obtain research and brokerage services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”), in certain circumstances, the Adviser may also use soft dollars to pay certain client expenses. Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants’ advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

All soft dollar arrangements must be reviewed by the Compliance Committee before being implemented and will be in accordance with the Adviser’s policies and procedures concerning the use of soft dollars. The Adviser’s Compliance Committee will meet to determine the capabilities of relevant brokers. A number of criteria are to be considered in selecting brokers to execute trades for Clients, including the broker-dealer’s business reputation and financial position and its ability to consistently execute orders professionally and on a cost effective basis, provide prompt and accurate execution reports, prepare timely and accurate confirms, deliver securities or cash proceeds promptly and provide meaningful research services that are useful to the Adviser in investment decision-making or other desired and appropriate services. In selecting or recommending broker-dealers, the Adviser may consider whether the Adviser or a related person receives client referrals from a broker-dealer or third party. The Adviser may have an incentive to select or recommend a broker-dealer based on its interests to receive client referrals rather than on the Client’s interests to receive most favorable execution. To address this conflict of interest, the Adviser will execute Client trades through broker-dealers that refer clients to the Adviser only if the managing member of the Adviser determines that client trades with such broker-dealers are otherwise consistent with seeking best execution.

The use of Client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for Clients.

Research and brokerage services obtained by the use of commissions arising from a Client’s portfolio transactions may be used by the Adviser in its other investment activities, including for the benefit of other client accounts. The Adviser seeks to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Investment transactions for Clients and the use of commissions by the Adviser from them may be outside the safe harbor provided by Section 28(e) and applicable regulatory interpretations. Even when investment transactions for Clients are outside the Section 28(e) safe harbor, the commissions paid are used for the acquisition of Section 28(e) types of research and brokerage.

During the Adviser’s last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser and/or its related persons acquired research reports (including market research); software

providing analysis of securities portfolios; and data services (including services providing market data, company financial data and economic data).

The Adviser may purchase or sell the same security for more than one client at or near the same time and using the same executing broker. It may be appropriate for the Adviser to aggregate Client orders for the purchase or sale of securities. Such aggregation may enable the Adviser to obtain for Clients a more favorable price or a better commission rate based upon the volume of a particular transaction. Assuming identical investment objectives and structures and absent other compelling circumstances, orders will be allocated among Clients pro rata based on assets under management. Each of the Adviser's Clients that participates in an aggregated order will participate at the average share price for all the Adviser's transactions in that security on a given business day and transaction costs will be shared pro rata based on such client's participation in the transaction.

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#### **Item 13. Review of Accounts**

Each client account is reviewed by the managing member of the Adviser on a daily basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account.

Investors in the Funds receive reports from the relevant Fund pursuant to the terms of such Fund's offering memorandum.

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

As described in Item 12, the Adviser receives certain research or other products or services from broker-dealers through "soft-dollar" arrangements. Please see Item 12 for further information on the Adviser's "soft-dollar" practices, including the Adviser's procedures for addressing conflicts of interest that arise from such practices.

The Adviser may make cash payments to third-party solicitors for client referrals pursuant to written agreements with such solicitors. Cash payments made pursuant to such agreements will be structured to comply fully with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, and related SEC staff interpretations.

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#### **Item 15. Custody**

The Adviser is deemed to have custody of each Fund's cash and securities. Assets of the Funds are held by qualified custodians, as required. Additionally, each investor in the Funds receives audited financial statements prepared in accordance with generally accepted accounting principles within 120 days of the end of the fiscal year.

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#### **Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to Clients.

Prior to assuming discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

For the Clients, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account. There may be differences among clients in invested positions and securities held based on, among other things, (i) a client's investment objective and strategies; (ii) a client's risk profile; (iii) a client's tax status; (iv) any restrictions placed on a client's portfolio by the client or by virtue of federal or state law

(such as ERISA); (v) size of client account; (vi) total portfolio invested position; (vii) nature of the security to be allocated; (viii) size of available position; (ix) supply or demand for a security at a given price level; (x) current market conditions; and (xi) timing of cash flows and account liquidity. In circumstances where the Adviser aggregates client orders for the purchase or sale of securities, assuming identical investment objectives and structures and absent other compelling circumstances, orders are generally allocated among clients pro rata based on assets under management.

Allocations will be made among client accounts eligible to participate in initial public offerings ("IPOs") and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client's status as a "restricted person" under applicable regulations.

If a trade error has occurred, the Adviser will seek to correct the error as soon as practicable and will report the error to the Adviser's Chief Compliance Officer and managing member. When an error is made on behalf of a client account, the Adviser will use its best efforts to break or otherwise correct the trade.

Trades that are misallocated to the wrong account ("Trade Misallocations") and are discovered prior to the settlement date will be reallocated to the originally intended account at the price of the original trade. If an error (other than a Trade Misallocation) is discovered on the trade date or thereafter, the trade will be broken, if possible. If the executing broker cannot break the trade, the error will be reported to the Adviser's Chief Compliance Officer and managing member, who will investigate the matter and determine an appropriate resolution, which may include allocating the trade (and its correcting trade) to a client account in certain circumstances. After a complete investigation and evaluation of the circumstances surrounding a trading error, the Adviser's Chief Compliance Officer and managing member have discretion to resolve the trading error in a manner other than specified in the Adviser's trading error procedures. Any trading error resulting from unique circumstances will be resolved on a case-by-case basis. In either event, an explanatory memorandum discussing the trading error will be prepared and maintained by the Chief Compliance Officer.

Broker-dealers may not be permitted to assume responsibility for trading error losses caused by the Adviser, nor may there be any reciprocal arrangements with respect to the trade in question or any other trade(s) to encourage the broker to assume responsibility for such losses. In cases where the error is attributable to the broker or other third party, the Adviser will maintain adequate records of the trade and its correction together with an indication in such records of the reason for such correction, e.g., "broker error."

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## **Item 17. Voting Client Securities**

To the extent the Adviser has been delegated proxy voting authority on behalf of a Client, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to securities held on behalf of the Client, such proxies are voted in the best interests of the Client, under the circumstances. In voting proxies, the Adviser generally votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification in common stock. The Adviser will vote against proposals that make it more difficult to replace members of a board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights and create supermajority voting. For all other proposals, the Adviser will determine whether a proposal is in the best interests of the Client and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

An Account is permitted to direct its votes in a particular solicitation. An Account that wishes to direct its vote in a particular solicitation shall give reasonable prior written notice to the Adviser or the third-party proxy agent, as applicable, indicating such intention and provide written instructions directing the Adviser or the third-party proxy agent's vote in regard to the particular solicitation. Where such prior written notice is received, the Adviser or the third-party proxy agent, as applicable, will vote proxies in accordance with such written instructions received from the Account, provided that such instructions are provided to the Adviser or

the third-party proxy agent in a timely manner.

If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client. The Adviser will also determine whether it is appropriate to disclose the conflict to the affected Client and, except in the case that the Client that is subject to ERISA, give the Client the opportunity to vote its proxies itself, as applicable. In the case of an Account for an ERISA investor, if the investment management agreement reserves to the ERISA investor the authority to vote proxies when the Adviser determines it has a material conflict that affects its best judgment as an ERISA fiduciary, the Adviser will give the ERISA investor the opportunity to vote the proxies itself. Absent the ERISA investor reserving voting rights, the Adviser will vote the proxies solely in accordance with its voting guidelines.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting Scott Donnelly (Chief Compliance Officer) by email at [sdonnelly@proximacapital.com](mailto:sdonnelly@proximacapital.com) or by telephone at (212) 897-5717.

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#### **Item 18. Financial Information**

The Adviser does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. The Adviser is not aware of any financial condition that is reasonably likely to impact its ability to meet its contractual commitments to clients, nor has the Adviser been the subject of a bankruptcy petition at any time during the past ten years.