

ADV - PART 2A

Item 1: Cover Page

Kynikos Associates LP
20 West 55th Street, 8th Floor
New York, NY 10019
(212) 649-0200
www.kynikos.com

Updated: March 30, 2016

This brochure provides information about the qualifications and business practices of Kynikos Associates LP. If you have any questions about the contents of this brochure, please contact us at (212) 649-0200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Kynikos Associates LP is registered as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended. Such registration does not imply that the Securities Exchange Commission has endorsed or approved the qualifications of Kynikos Associates LP to provide the advisory and management services as described herein nor does it imply a certain level of skill or training.

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

Item 2: Material Changes

This item summarizes only the material changes made to the Adviser's brochure since its last annual update. The date of the last annual update of the Adviser's brochure is March 31, 2015.

Since the filing of the Adviser's brochure dated March 31, 2015, the Adviser has made the following changes to its brochure, which may be material:

- The Adviser's brochure has been revised to include disclosure regarding four new private funds, Kynikos Capital Partners LP, Kynikos Global Capital Partners LP, Kynikos Capital Partners Limited, and Kynikos Global Capital Partners Limited, each of which was formed in 2015.
- Item 9 of the Adviser's brochure has been revised to reflect a development in the *Fairfax* litigation, in which all claims asserted by the plaintiffs against the Adviser and James S. Chanos had been dismissed with prejudice in December 2011. Namely, the plaintiffs have filed an appeal with the New Jersey Superior Court, Appellate Division. The briefing for the appeal has been completed, but no date has yet been set for oral argument.
- Item 9 of the Adviser's brochure has been further revised to describe a complaint filed in the United States Bankrupt Court for the Southern District of New York in the proceeding entitled In re: Motors Liquidation Co., Case No. 09-50026 (REG) Adversary Proceeding Case No. 09-00504 (REG), in which Kynikos Opportunity Fund, L.P., Kynikos Opportunity Fund II, L.P and Kynikos Opportunity Fund International Limited, among many others, are named as defendants.

Item 3: Table of Contents

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
1	Cover Page.....	1
2	Material Changes	2
3	Table of Contents.....	3
4	Advisory Business	4
5	Fees and Compensation	4
6	Performance-Based Fees and Side-By-Side Management	4
7	Types of Clients.....	8
8	Methods of Analysis, Investment Strategies and Risk of Loss	8
9	Disciplinary Information	16
10	Other Financial Industry Activities and Affiliations	17
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	18
12	Brokerage Practices	20
13	Review of Accounts.....	21
14	Client Referrals and Other Compensation.....	22
15	Custody	22
16	Investment Discretion.....	22
17	Voting Client Securities.....	22
18	Financial Information	24

Item 4: Advisory Business

Kynikos Associates LP, or the Adviser, is a limited partnership formed in the State of Delaware on December 15, 2003. The Adviser's principal owner is James S. Chanos.

The Adviser provides discretionary investment advisory services to certain affiliated private funds that are pooled investment vehicles (the "hedge funds"), certain affiliated private funds established in each case for the benefit of a single investor (the "single-investor funds" and together with the hedge funds, the "funds" or the "private funds") and managed accounts. Additional funds and accounts may be added in the future. The Adviser generally pursues the following strategies in the portfolios managed on behalf of its clients: (i) a fundamental, short investment strategy; and/or (ii) a fundamental investment strategy of identifying and trading in undervalued or overvalued securities. See Item 8 below.

The Adviser does not tailor its advisory services to the individual needs of investors in its affiliated private funds, and such investors may not impose restrictions on investing in certain securities or types of securities. However, the Adviser's managed accounts include certain investment restrictions, and the Adviser may tailor its advisory services to the individual needs of future managed account clients.

As of February 29, 2016, the Adviser had \$3,345,284,053 in assets under management, all on a discretionary basis.

Item 5: Fees and Compensation

See Item 6 below. All fees are deducted from clients' assets.

Item 6: Performance-Based Fees and Side-By-Side Management

The fees, incentive allocations and expenses borne by each hedge fund are described in each such hedge fund's offering documents, and in the event of any inconsistency between any hedge fund's offering documents and this brochure, such hedge fund's offering documents shall control.

U.S. Hedge Funds

The Adviser is the investment manager for Ursus Partners, L.P. and Kriticos Partners, L.P., both Delaware limited partnerships and domestic hedge funds. In addition, the Adviser provides discretionary advisory services (i) through Kynikos Opportunity Management International LLC, which is the Adviser's wholly-owned limited liability company, to Kynikos Opportunity Fund, L.P. and Kynikos Opportunity Fund II, L.P., each of which is a Delaware limited partnership and domestic hedge fund, and (ii) through KACP Advisors LLC, a limited liability company for which the Adviser serves as the sole managing member, to Kynikos Capital Partners LP and Kynikos Global Capital Partner LP, each of which is a Delaware limited partnership and domestic hedge fund.

Ursus Capital Management I LLC, a limited liability company affiliated with the Adviser and controlled by James S. Chanos, serves as the general partner of Ursus Partners, L.P. and Kriticos

Partners, L.P. Kynikos Opportunity Management LLC, a limited liability company wholly owned by Ursus Capital Management I LLC, serves as the general partner of Kynikos Opportunity Fund, L.P. and Kynikos Opportunity Fund II, L.P. KACP Advisors LLC, a limited liability company for which the Adviser serves as the sole managing member, is the general partner of Kynikos Capital Partners LP and Kynikos Global Capital Partner LP.

Ursus Partners, L.P. and Kriticos Partners, L.P.

On the first day of each fiscal quarter, the Adviser receives, from Ursus Partners, L.P. and Kriticos Partners, L.P., a non-refundable quarterly management fee, paid in advance, equal to 0.25% (1.0% annualized) of the asset value of Ursus Partners, L.P. and Kriticos Partners, L.P. as of such date. As the general partner of Ursus Partners, L.P. and Kriticos Partners, L.P., Ursus Capital Management I LLC receives an annual incentive allocation, paid in arrears, equal to 20% of the net capital appreciation, realized and unrealized, allocated to each limited partner in the applicable fund for each fiscal year; provided, however, that an incentive allocation will only be made with respect to the excess of the net capital appreciation after recovery of any prior years' losses attributable to such investor.

Kynikos Opportunity Fund, L.P. and Kynikos Opportunity Fund II, L.P.

On the first day of each fiscal quarter, Kynikos Opportunity Management International LLC receives, from each of these funds, a non-refundable quarterly management fee, payable in advance, equal to 0.25% (1.0% annualized) of the asset value of the applicable fund as of such date. As the general partner of each of these funds, Kynikos Opportunity Management LLC receives an annual incentive allocation, payable in arrears, equal to 20% of the net capital appreciation, realized and unrealized, allocated to each limited partner in the applicable fund for each fiscal year; provided, however, that an incentive allocation will only be made with respect to the excess of the net capital appreciation after recovery of any prior years' losses attributable to such investor.

Kynikos Capital Partners LP and Kynikos Global Capital Partners LP

On the first day of each fiscal quarter, KA Advisors International LLC, a limited liability company for which the Adviser serves as the sole managing member, receives, from each of these funds, a non-refundable quarterly management fee, payable in advance, equal to 0.25% (1.0% annualized) of the asset value of the applicable fund as of such date. As the general partner of each of these funds, KACP Advisors LLC receives an annual incentive allocation, payable in arrears, equal to 15% of the excess of: (i) the net capital appreciation, realized and unrealized, in the applicable portfolio assets during each fiscal year over (ii) the relative performance of certain market indices during each fiscal year; provided, however, that an incentive allocation or fee (as the case may be) will only be made or paid after recovery of any prior years' losses attributable to such investor.

Offshore Hedge Funds

The Adviser also serves as the discretionary investment adviser of Ursus International Limited, Kynikos Opportunity Fund Institutional Limited, Kriticos International Limited and Kriticos Institutional Limited, each of which is a Cayman Islands exempted company and an offshore

hedge fund. In addition, the Adviser provides discretionary investment advisory services (i) through Kynikos Opportunity Management International LLC, to Kynikos Opportunity Fund International Limited, a Cayman Islands exempted company and an offshore hedge fund and (ii) through KA Advisors International LLC, a limited liability company for which the Adviser serves as the sole managing member, to Kynikos Capital Partners Limited and Kynikos Global Capital Partners Limited, each of which is a Cayman Islands exempted company and an offshore hedge fund.

Ursus International Limited and Kriticos International Limited

The Adviser receives, from each of Ursus International Limited and Kriticos International Limited, a non-refundable quarterly management fee, payable in advance, equal to 0.25% (1.0% annualized) of the net asset value of the Class B shares of the applicable offshore hedge fund at the beginning of each calendar quarter. The Adviser receives an annual incentive fee, payable in arrears, of 20% of the net realized and unrealized appreciation in the net asset value of the Class B shares of the applicable offshore hedge fund during the prior calendar year, determined net of accrued expenses chargeable to such class, but without deduction for any accrued incentive fees during the period; provided, however, that an incentive fee will only be paid with respect to the net appreciation in the net asset value of such class after recovery of any prior periods' losses attributable to such Class B shares.

Kriticos Institutional Limited

The Adviser receives, from Kriticos Institutional Limited, a quarterly management fee equal to 0.25% (1.0% annualized) of the net asset value of each series of shares at the beginning of each calendar quarter. The management fees accrue monthly and, for each calendar quarter, are paid on the first business day of the next calendar quarter. The Adviser also receives an annual incentive fee, payable in arrears, of 20% of the net realized and unrealized appreciation in each series of shares during the prior calendar year, determined net of accrued expenses chargeable to such class, but without deduction for any accrued or paid management or incentive fees during the period; provided, however, that an incentive fee will only be paid with respect to the net appreciation in the net asset value of such class after recovery of any prior periods' losses attributable to such series of shares.

Kynikos Opportunity Fund Institutional Limited

The Adviser receives, from Kynikos Opportunity Fund Institutional Limited, a quarterly management fee equal to 0.25% (1.0% annualized) of the net asset value of each series of shares at the beginning of each calendar quarter. The management fees accrue monthly and, for each calendar quarter, are paid on the first business day of the next calendar quarter. The Adviser also will receive an annual incentive fee, payable in arrears, of 20% of the net realized and unrealized appreciation in each series of shares during the prior fiscal year, determined net of accrued expenses chargeable to such class, but without deduction for any accrued or paid management or incentive fees during the period; provided, however, that an incentive fee will only be paid with respect to the net appreciation in the net asset value of such class after recovery of any prior periods' losses attributable to such series of shares.

Kynikos Opportunity Fund International Limited

Kynikos Opportunity Management International LLC receives, with respect to Kynikos Opportunity Fund International Limited, a non-refundable quarterly management fee, payable in advance, equal to 0.25% (1.0% annualized) of the net asset value of the Class B shares and the Class C shares at the beginning of each calendar quarter. Kynikos Opportunity Management International LLC also receives an annual incentive fee, payable in arrears, of 20% of the net realized and unrealized appreciation in the net asset value of the Class B and the Class C shares during the prior fiscal year, determined net of accrued expenses chargeable to any class, but without deduction for accrued incentive fees during the period; provided, however, that an incentive fee will only be paid with respect to the net appreciation in the net asset value of a class after recovery of any prior periods' losses attributable to such class.

Kynikos Capital Partners Limited and Kynikos Global Capital Partner Limited

KA Advisors International LLC receives, with respect to each of Kynikos Capital Partners Limited and Kynikos Global Capital Partner Limited, a non-refundable quarterly management fee, payable in advance, equal to 0.25% (1.0% annualized) of the asset value of the applicable fund as of such date. KA Advisors International LLC also receives an annual incentive allocation, payable in arrears, equal to 15% of the excess of: (i) the net capital appreciation, realized and unrealized, in the applicable portfolio assets during each fiscal year over (ii) the relative performance of the applicable portfolio in comparison to certain market indices during each fiscal year; provided, however, that an incentive allocation or fee (as the case may be) will only be made or paid after recovery of any prior years' losses attributable to such investor.

Managed Accounts and Single-Investor Funds

The Adviser (or its applicable affiliate) receives, with respect to the managed accounts and the single-investor funds, a quarterly management or advisory fee, payable, in most cases, in advance, equal to 0.25% (1.0% annualized) of the value of the managed assets. The management fee is prorated in the event that capital contributions to the single-investor funds are accepted in the middle of a quarter, but the management fee is non-refundable. In the event that the advisory agreement between the Adviser and a managed account is terminated pursuant to the terms of such agreement prior to quarter-end, such managed account will receive a refund of a *pro rata* portion of the management fee paid for such quarter. The Adviser (or its applicable affiliate) also receives an annual incentive allocation or fee (as the case may be), with respect to each portfolio managed on behalf of the managed accounts and the single-investor funds, based on either: (i) the net capital appreciation, realized and unrealized, in the applicable portfolio assets during each fiscal year; or (ii) the relative performance of the applicable portfolio in comparison to certain market indices during each fiscal year; provided, however, that an incentive allocation or fee (as the case may be) will only be made or paid after recovery of any prior years' losses. The rate of each such incentive allocation or fee (as the case may be) ranges from 6.5% to 20.0%.

Other

Where required, all performance-based compensation is calculated in accordance with Rule 205-3 under the Investment Advisers Act of 1940, as amended.

In the case of the hedge funds, the management and performance fees are generally not negotiable, but the Adviser and its applicable affiliates, in their respective sole and absolute discretion, may waive, reduce or grant rebates of the management fees or performance fees charged with respect to certain investors in the hedge funds. In the case of managed accounts and single-investor funds, however, fees may be negotiated on a case-by-case basis.

Client assets may be invested in money market funds for the purposes of cash management. When a client's assets are invested in money market funds, this client may bear two management fees, one to the Adviser and the other to the manager of the money market fund.

Investors in the domestic and offshore private funds may redeem or withdraw their investment in accordance with the procedures, and subject to the restrictions, described in the applicable offering documents and/or other governing documents. In general, an investor in any of the hedge funds is not permitted to redeem or withdraw his, her or its investment in such hedge fund until the expiration of a specified holding period, unless an early redemption or withdrawal fee is paid. Typically, the specified holding period is one year, but the holding periods applicable to the investors in one of the offshore hedge funds range from one to three years, depending on the class of the fund shares purchased by such investors. The amount of the early redemption or withdrawal fee is specified in the applicable offering documents of the hedge funds and ranges from 3% to 5% of the investor's capital account or the asset value of all the investor's shares, as the case may be. The Adviser, in its sole and absolute discretion, may waive payment of this fee. The managed account clients may terminate the services of the Adviser when and as provided in the applicable advisory agreement.

In addition to the fees described above in this Item 6, the Adviser's clients are generally responsible for their respective operating expenses, including (but not limited to) research fees, interest on margin accounts, certain legal, accounting and auditing fees, borrowing charges on securities sold short, exchange fees, custodial fees, trustee fees, director fees, brokerage commissions, third-party administrator fees and expenses, bank service fees, interest on loans and debit balances and certain taxes. Each private fund's operating expenses will generally be shared by all of its investors on a *pro rata* basis.

See Item 12 below for a discussion regarding the Adviser's brokerage practices.

Item 7: Types of Clients

The Adviser provides discretionary investment advisory services to domestic and offshore private funds and managed accounts. Investors in the private funds and managed account clients include individuals, pension and profit-sharing plans, trusts, charitable organizations, corporations, business entities, endowments and foreign sovereign wealth funds.

Each hedge fund has a minimum initial subscription requirement of \$1 million, subject to the discretion of the Adviser, or its affiliate, as the case may be, to accept lesser amounts. The

Adviser does not require a minimum dollar value of assets for starting or maintaining a managed account or single-investor fund. The Adviser reserves the right to impose in the future a minimum dollar value of assets or other conditions for starting and maintaining managed accounts or single-investor funds.

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

The Adviser's investment philosophy is based on extensive fundamental research of both companies and industries. Through this research the Adviser seeks: (i) with respect to the Ursus hedge funds, the Kriticos hedge funds and the managed account and single-investor fund portfolios that are managed in parallel to such hedge funds, to identify and sell short equities which will be revalued downward from then-current prices due to deteriorating profit outlook, unsustainable growth, increased industry competition or lack of a viable long-term business model; and (ii) with respect to the Kynikos Opportunity hedge funds and the managed account and single-investor fund portfolios that are managed in parallel to such hedge funds, to identify mispriced securities, those undervalued as well as those overvalued, in which the Adviser thinks it can trade profitably.

The Adviser employs many analytical techniques: balance sheet analysis, income statement analysis, flow of funds statement analysis and the important interactions between the three. Other important measures that the Adviser watches closely are the quality of corporate earnings and a company's return on invested capital.

Industry analysis can either complement company specific analysis or itself be a source of short-sale candidates. Increasing competition, pending overcapacity, changing industry risk profiles and the miscalculation of market size for a company's product can all lead to the downward revaluation of equity securities. The Adviser does not employ such methodologies as technical analysis, market timing or asset allocation models as part of its research or investment process.

The Adviser performs its own investment research, which is compiled from publicly available filings, industry publications, discussions with company management, discussions with competitors, industry consultants, and direct product research. This process is aided, however, by the many years the Adviser has spent analyzing companies from a short seller's perspective, which allows it to identify investment ideas.

The investment strategies used by the Adviser on behalf of its clients include buying and selling, including selling short, securities (including securities not listed on a national securities exchange or for which quotations are not available on the FINRA pink sheets or which are restricted as to the disposition thereof), and interests in domestic and foreign securities including convertible securities, options and puts and calls on stocks and warrants. The Adviser, on behalf of its clients, may also buy and sell, including selling short, money market and other financial instruments, including U.S. Treasury bills, notes and bonds, corporate and municipal bonds, certificates of deposit, GNMA securities, money market funds and repurchase and reverse repurchase agreements, currencies, and futures or forward contracts, and any other interests in any of the foregoing.

Risk of Loss

The investment strategies employed by the Adviser, on behalf of its clients, create a risk of the loss of capital and should be made only by sophisticated persons who are able to bear such a risk. The Adviser believes that its investment programs and research techniques moderate this risk to some degree, but can make no warranty or representation in this regard.

The transactions in which the Adviser, on behalf of its clients, will engage involve significant risks. Growing competition may limit the ability of the Adviser or its affiliate(s) to take advantage of trading opportunities in rapidly changing markets. No assurance can be given that clients will realize a profit on their investment. Moreover, clients may lose some or all of their investment. Because of the nature of the Adviser's trading activities, the results of the Adviser's operations may fluctuate from month to month and from period to period. Accordingly, clients should understand that the results of a particular period will not necessarily be indicative of results in future periods.

Limited Participation

Clients have no right to participate to make any decisions with respect to the investments to be made by the Adviser on their behalf. The Adviser or its affiliates will make all investment decisions on behalf of the clients. The Adviser and its members, partners, principals and affiliates are not required to devote substantially all of their business time to the Adviser's business.

Reliance on the Adviser

Clients must rely on the activities, judgment and availability of the Adviser, including James S. Chanos, to make investment decisions on their behalf. Clients will not have the opportunity to evaluate personally the relevant economic, financial and other information that will be used by the Adviser in the selection and monitoring of investments.

Changes in Investment Strategies

The Adviser has broad discretion to expand, revise or contract its business without the consent of clients. Thus, the investment strategies of the Adviser may be altered without prior approval by, or notice to, its clients if the Adviser determines that such change is in the best interests of the clients. Any such decision to engage in a new activity could result in the exposure of the clients' assets to additional risks, which may be substantial.

Possible Indemnification Obligations; Litigation

Under certain agreements, the Adviser is obligated to indemnify its affiliates under certain circumstances. The Adviser may also be obligated to indemnify certain other persons under agreements entered into with such persons. In the event that the Adviser or a party entitled to indemnification from the Adviser were named as a defendant in an action, arbitration, claim, demand, dispute, investigation, lawsuit or other proceeding, the Adviser would bear the additional costs of defending and indemnifying against such action and would be at further risk if the Adviser or any indemnified party failed to prevail in the litigation.

Side Letters and Other Investor-Related Arrangements

From time to time, the Adviser and/or its affiliates may enter into letter agreements or other similar arrangements (collectively, “Side Letters”) with one or more clients that supplement the terms of such client’s investment by providing for, *e.g.*, the reporting from time to time of certain requested information and reduced or waived management fees and/or performance share allocations. To the extent that any Side Letter provides for the reporting to any client of certain information, such information will also be made available to all other clients.

Generally, the Adviser is not required to notify the other clients of any such Side Letters or any of the rights or terms or provisions thereof. In addition, the Adviser will not be required to offer such additional or different rights or terms to all other clients. Future clients may also receive more favorable terms or other benefits through investment in one or more classes of investments designated, created and offered after the date of an offering.

Required Withdrawal

The Adviser in its sole discretion may require clients to withdraw as clients at any time.

Turnover

The trading decisions of the Adviser or its affiliate(s) may be made on the basis of short-term market considerations. The portfolio turnover rate may be significant from time to time, potentially involving substantial brokerage commissions, related transaction fees and expenses and financing charges.

Concentration of Positions

Diversification of investments is not required. Therefore, the Adviser or its applicable affiliate(s) may invest a client’s assets in a limited number of securities or other financial instruments. Diversifying an investment portfolio can reduce, to some extent, the risks involved in making investments. To the extent that the Adviser, on behalf of its clients, invests a significant portion of its assets in a few issuers’ securities or in a limited number of assets, the performance of such investment could be significantly affected by the performance of those issuers or assets.

Interest Rate Fluctuations

The prices of securities tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions that were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to the client of borrowed securities and leveraged investments. To the extent that interest rate assumptions underlie the hedge ratios implemented in hedging a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose the client to losses.

Equity Securities Generally

The Adviser, on behalf of its clients, will engage in trading equity securities. Market prices of equity securities generally, and of certain companies’ equity securities more particularly,

frequently are subject to greater volatility than prices of fixed-income securities. Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies that report such irregularities or that are the subject of rumors of accounting irregularities.

Common Stock

Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer.

Short Selling

The Adviser, on behalf of its clients, will sell securities of an issuer short with the expectation of "covering" the short sale with securities purchased in the open market at a price lower than that received in the short sale. The Adviser covers these short positions with securities purchased in the market. Therefore, if the price of the issuer's securities declines from the time of the short sale, the profit realized on the short sale will be the difference between the price received in the sale and the cost of the securities purchased to cover the sale.

The possible losses to a client from selling securities short differ from the losses that could be incurred from a cash investment in the securities; the former may be unlimited, whereas the latter can equal only the total amount of the cash investment. Short selling activities are also subject to restrictions and other requirements imposed by United States securities laws and the various U.S. securities exchanges, which restrictions and requirements could affect the investment activities of the Adviser. The number and types of restrictions and other requirements imposed by United States securities laws and U.S. securities exchanges could increase or change to the detriment of the client. If short sales are effected on an exchange or over-the-counter market outside the United States or with respect to securities listed on an exchange or over-the-counter market outside the United States, such transactions may be subject to applicable local law, which may be more or less restrictive than U.S. law.

Securities of Issuers in Certain Countries

The Adviser, on behalf of its clients, may invest in equity and fixed-income securities (denominated in either U.S. Dollars or another currency) of issuers in various countries. Securities of issuers in certain countries involve certain unique risks, some of which are discussed below.

The economies of many of the countries in which the Adviser may invest may not be as developed as the economies of the countries in which the Adviser's clients reside and may be subject to significantly different forces. Political or social instability, expropriation or confiscatory taxation, and limitations on the removal of funds or other assets could also adversely affect the value of investments.

Certain markets may also have different clearance and settlement procedures, and in certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions, making it difficult to complete such transactions. Delays in settlement could result in temporary periods when a portion of a client's assets is invested and no return is earned thereon. The inability of the Adviser or its applicable affiliate(s) to make intended purchases due to settlement problems could cause the Adviser or its applicable affiliate(s) to miss attractive investment opportunities. Inability to dispose of portfolio securities due to settlement problems could result either in losses to the client due to subsequent declines in value of the portfolio security or, if the Adviser or its applicable affiliate(s) have entered into a contract to sell the security, could result in possible liability of the client to the purchaser. Costs associated with transactions in such countries' securities are generally higher than costs associated with transactions in United States securities.

In certain countries, there may be little publicly available information about certain companies because of different regulatory controls, and the information that is available may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements. Income from certain securities owned by the client may also be reduced by taxes, including withholding taxes, that may be imposed at the source.

Brokerage commission rates in certain countries, which are generally fixed rather than subject to negotiation, may be higher than those in an investor's country of residence, and the client will bear the expense of maintaining securities with custodians in such countries. The securities markets in many of the countries in which the Adviser, on behalf of its clients, may invest may have limited trading volume. As a result, the securities of some companies in these countries may be less liquid and more volatile than comparable securities in an investor's country of residence. There may be little government regulation and supervision of the stock exchanges, brokers and issuers of certain countries, which may make it difficult to enforce contractual obligations.

Currency Exchange Rate Risk

The Adviser, on behalf of its clients, may invest in securities denominated in currencies other than the U.S. Dollar. Returns on securities denominated in currencies other than the U.S. Dollar may change in value in relation to the U.S. Dollar, possibly for protracted periods of time. Because asset valuations will be calculated in U.S. Dollars, when any non-U.S. currency rises against the U.S. Dollar, the returns on securities denominated in that currency will also rise; and when that currency declines in value in relation to the U.S. Dollar, the returns on securities denominated in that currency will also decline. In addition, the value of an investment may be affected by losses and other expenses incurred in converting between various currencies in order to purchase and sell certain securities, and by currency restrictions and exchange control regulations.

Swaps Transactions; Risks Associated with OTC Transactions

The Adviser, on behalf of its clients, may enter into credit default swaps, total return swaps on individual securities and indices and other swap transactions. Historically, swap contracts have not been executed on exchanges and rather have been executed in the over-the-counter ("OTC")

markets, which are not subject to the same type or degree of regulation and supervision as are regulated exchanges. Although as of the date of this brochure, a substantial portion of swaps transactions continue to be executed in the OTC markets, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) and the rules being finalized and implemented thereunder by the U.S. Securities and Exchange Commission and the U.S. Commodity and Futures Trading Commission (the “CFTC”) (the “Swaps Rules”), certain interest rate swaps and index credit default swaps presently are, and it is expected that a substantial portion of swaps transactions will become, subject to both mandatory clearing and exchange-trading requirements. Under the Swaps Rules, swaps transactions required to be submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearing house, and the regulators have also imposed initial and variation margin requirements on non-cleared swaps transactions. In addition, the Dodd-Frank Act creates new categories of regulated market participants, such as “swap-dealers,” “security-based swap dealers,” “major swap participants” and “major security-based swap participants,” which are subject to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements.

The intent of the Dodd-Frank Act and the related Swaps Rules is to reduce systemic and counterparty risks associated with OTC swaps transactions. While many regulations have been promulgated pursuant to the Dodd-Frank Act and are already in effect, the rulemaking and implementation process is still ongoing, and the ultimate effect of the rules and regulations on the Adviser and its clients cannot be predicted with certainty. However, even if certain new regulatory requirements are not directly applicable to the Adviser’s clients, such regulation will increase swaps dealers’ costs, which costs are expected to be passed through to other market participants (including the Adviser’s clients) in the form of higher fees and less favorable dealer marks.

Following the finalization and complete implementation of the Swaps Rules, not all swaps transactions will be subject to the mandatory clearing and execution requirements of the Swaps Rules, and some swap transactions will continue to be executed in the OTC markets without the protections afforded by centralized clearing at regulated clearing houses and by execution on regulated exchanges and facilities. For example, the swaps and other OTC markets generally are “principals’ markets” in which performance with respect to a swap contract is the responsibility only of the counterparty to the contract, and not of any exchange or clearinghouse. As a result, there is a risk of the inability or refusal of the counterparties with which Adviser, on behalf of its clients, trades to perform with respect to any swap contracts executed in the OTC markets.

In Europe, the European Parliament has adopted the European Markets and Infrastructure Regulation (“EMIR”) and the Markets in Financial Instruments Regulation (“MIFIR”), which will require certain OTC derivatives transactions to be subject to mandatory clearing and exchange trading obligations, respectively. Mandatory clearing of OTC derivatives will require the imposition of initial and variation requirements set by a clearing house (“CCP”). EMIR also imposes initial and variation margin requirements on certain OTC derivatives contracts that are not cleared by a CCP. This legislation will increase the costs of OTC derivatives transactions, and it is expected that these costs will be passed through to market participants (including the Adviser and its clients). Following the implementation of mandatory clearing and exchange trading obligations under EMIR and MIFIR, some OTC derivatives transactions will continue to

be executed in the OTC markets without the protections that exchange trading and CCP clearing generally provide.

Leverage; Borrowing

Leverage may be used in the operation of the portfolio. Such leverage may be obtained through various means. The anticipated use of short-term margin borrowings may result in certain additional risks to the client. For example, should the securities pledged to a broker to secure a margin account decline in value, the broker may issue a “margin call” pursuant to which additional funds would have to be deposited with the broker or the pledged securities would be subject to mandatory liquidation to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the assets pledged to a broker as margin, the Adviser might not be able to liquidate assets quickly enough to pay off the margin debt, and the client might therefore suffer additional significant losses as a result of such a default. In addition, to the extent that the margin rules become more restrictive or banks or other lenders become less willing to lend on securities positions, the potential profit (and loss) of the client may be affected. The application of margin regulations may require the Adviser to liquidate positions to satisfy margin requirements at a time that is undesirable for investment or tax reasons. Margin transactions on exchanges or over-the-counter markets outside the United States will be governed by local law, which may be more or less restrictive than U.S. law.

Borrowing money to purchase a security may provide the Adviser with the opportunity for greater capital appreciation but at the same time will increase the risk of loss with respect to the security. Although borrowing money increases returns if returns on the incremental investments purchased with the borrowed funds exceed the borrowing costs for such funds, the use of leverage decreases returns if returns earned on such incremental investments are less than the costs of such borrowings. The amount of borrowings which may be outstanding at any time may be large in relation to a client’s capital. In addition, the level of interest rates generally, and the rates at which funds can be borrowed in particular, will affect the operating results of a particular investment.

Volatility Relating to Stock Loan Conditions

Individual and entire portfolios of short positions in equity securities, including those of the client, can be influenced by the ability to borrow and maintain borrowings of securities from the Adviser’s prime brokers. Supply and demand dynamics in the stock loan market can result in price movements, either in individual securities or in a client’s portfolio as a whole, which are outside the control of the Adviser and its affiliates.

Lack of Liquidity of Certain Investments

The Adviser, on behalf of its clients, may invest in securities that are illiquid for a variety of reasons. In the case of U.S. securities, one possible reason for that illiquidity is that such securities are subject to restrictions on resale because they were acquired from the issuer in “private placement” transactions. The Adviser will not be able to sell these securities publicly unless their sale is registered under the Securities Act of 1933, as amended, and applicable state securities laws, or unless an exemption from those registration requirements is available. The

Adviser may be able to sell such securities publicly under Rule 144 under the Securities Act, which permits limited sales under specified conditions. When restricted securities are sold to the public, the Adviser could be deemed an “underwriter” or a controlling person with respect to the issuer for purposes of the Securities Act and could be subject to liability under the Securities Act. Sales of certain securities outside the United States will be governed by local law, which may be more or less restrictive than U.S. law.

Uncontrollable Events

The Adviser or its affiliates may be affected by events that are not within its control, such as acts of war, terrorism and natural disasters, as well as interruptions in any of the basic services on which the Adviser or its affiliates relies for its operations, such as electricity, phone services, networks of its prime brokers, and access to the Adviser’s headquarters and other offices.

Future Regulatory Developments

Legal, tax and regulatory developments that would adversely affect the Adviser or its clients could occur. The regulatory environment for financial markets, hedge funds and other private investment funds is evolving, and changes in the regulation of the financial markets and private investment funds and their investment and trading activities may adversely affect the ability of the Adviser, on behalf of its clients, to pursue the applicable investment strategy. In recent years, there has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry and the financial markets in general. For example, in the United States, the Dodd-Frank Act, which makes significant changes to the regulation of banks, hedge funds and other financial services firms, is still in the process of being clarified and implemented by U.S. Federal agency rulemaking and interpretation. In addition, in the European Union, the Alternative Investment Fund Managers Directive, which imposes many new requirements on the managers of alternative investment funds that are marketed within the European Union, is still in the process of being transposed in the different European Union member states. The exact nature and scope of the impact of such laws and regulations on the Partnership and Kynikos Associates is not yet clear.

Risk of Options and Financial Futures Contracts

The Adviser, on behalf of its clients, may purchase and sell options on certain securities and currencies, and neither the Adviser nor any of its affiliates is limited in the amount of the assets of the client that may be committed to these investments. The Adviser also may purchase and sell commodities futures contracts, including financial securities indices, and currency futures contracts and related options. Although these kinds of investments may be used as a hedge against changes in market conditions, the purchase and sale of such investments may also be speculative.

Participation in the options or futures markets involves investment risks and transaction costs to which the client would not be subject in the absence of using these strategies. If the Adviser’s (or any applicable affiliate’s) prediction of the direction of movements in the securities markets is inaccurate, the adverse consequences to the client may leave the client in a worse position than that in which it would have been in had the strategies not been used. These transactions are

highly leveraged, and gains and losses are, therefore, magnified. To the extent that an option and futures contract is sold, the client's losses could be unlimited. Other risks inherent in the use of options and securities index futures include (i) the dependence on the Adviser's (or any applicable affiliate's) ability to predict correctly the direction of movements in specific securities being hedged or the direction of movements in the indices; (ii) the imperfect correlation between the price of options and futures and options thereon and movements in the prices of the assets being hedged; (iii) the fact that skills needed to use these strategies are different from those needed to select individual securities; and (iv) the possible absence of a liquid secondary market for any particular instrument at any time.

Trading Is Speculative

The Adviser or its applicable affiliate(s) may engage in futures trading. A principal risk in trading futures is the traditional volatility and rapid fluctuation in the market prices. The profitability of such futures trading will depend primarily on the prediction of fluctuations in market prices. Price movements for futures are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; weather and climate conditions; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the emotions of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets to move rapidly.

Futures Trading Is Highly Leveraged

The low margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the investors. For example, if at the time of purchase ten percent (10%) of the price of a futures contract is deposited as margin, a ten percent (10%) decrease in the price of the futures contract would, if the contract were then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. Therefore, like other leveraged investments, any futures trade may result in losses in excess of the amount invested. Any increase in the amount of leverage applied in trading will increase the risk of loss by the amount of additional leverage applied.

Forward Contract Trading

A portion of the client's assets may be traded in forward contracts. Such forward contracts are not traded on exchanges and are executed directly through forward contract dealers. There is no limitation on the daily price movement of forward contracts, and a dealer is not required to continue to make markets in such contracts. There have been periods during which forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the bid and asked price. Arrangements to trade forward contracts may therefore experience liquidity problems. The client therefore will be subject to the risk of credit failure or the inability of or refusal of a forward contract dealer to perform with respect to its forward contracts.

Currency Contracts

The Adviser, on behalf of its clients, may purchase and sell spot and forward currency contracts, currency options and currency futures contracts to hedge positions in portfolio securities, as well as for speculative purposes. Currency contracts may be more volatile and carry more risks than investments in securities. The successful use of currency contracts depends upon the Adviser's (or any applicable affiliate's) ability to predict the direction of the market and political conditions, which requires different skills and techniques from those required to predict changes in the securities markets generally. If the Adviser or its applicable affiliate(s) are incorrect in their predictions of the direction of these factors, the investment performance will diminish compared to what it would have been if this investment strategy had not been used.

Trading May Be Illiquid

It may not always be possible to execute a buy or sell order at the desired price or to liquidate an open position, due either to market conditions on exchanges or due to the operation of daily price fluctuation limits or "circuit breakers." During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a particular futures contract has increased or decreased to the limit point, positions in the futures contract can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit, which would be unlikely if underlying market prices have moved beyond the limit. Futures prices have occasionally moved beyond the daily limit for several consecutive days with little or no trading. In addition, even if futures prices have not moved beyond the daily limit, the Adviser or its applicable affiliate(s) may not be able to execute trades at favorable prices if little trading in the contracts it wishes to trade is taking place. It is also possible that an exchange or the CTFC may suspend trading, order the immediate settlement of a particular contract or order that trading in a particular contract be conducted for liquidation purposes only. Options trading may be restricted in the event that trading in the underlying instrument becomes restricted, and options trading may itself be illiquid at times, irrespective of the condition of the market of the underlying instrument, making it difficult to offset option positions in order to either realize gain thereon, limit losses or change positions in the market.

Possible Effects of Speculative Position Limits

The CFTC and certain exchanges have established speculative position limits on the maximum net long or short futures and options positions that any person or group of persons acting in concert may hold or control in particular futures contracts. The CFTC has adopted a rule requiring each U.S. exchange to set speculative position limits, subject to the CFTC's approval, for all futures contracts and options traded on such exchange that are not already subject to speculative position limits established by the CFTC or such exchange. The CFTC has jurisdiction to establish speculative position limits with respect to all futures contracts and options traded on exchanges located in the United States, and any exchange may impose additional limits on positions on that exchange. Generally, no speculative position limits are in effect with respect to the trading of forward contracts or trading on non-U.S. exchanges. With respect to trading in futures subject to such limits, the Adviser or its applicable affiliate(s) may reduce the size of the positions that would otherwise be taken in such futures and may not trade certain futures in order to avoid exceeding such limits. Such modification, if required, could adversely affect the operations and profitability of investments.

Bankruptcy Rules

Bankruptcy law applicable to all U.S. futures commission merchants (each, an "FCM") requires that, in the event of the bankruptcy of such an FCM, all property held by the FCM, including certain property specifically traceable to a customer, will be returned, transferred or distributed to the FCM's customers only to the extent of each customer's *pro rata* share of all property available for distribution to customers. If any FCM holding a client's investment were to become bankrupt, it is possible that this client would be able to recover none or only a portion of its assets held by such FCM.

Institutional Risks

Institutions, such as brokers and dealers, will have custody of client assets. These firms may encounter financial difficulties that impair the clients' operating capabilities or capital position. The Adviser will attempt to limit the transactions it executes on behalf of its clients to established brokers and dealers that it believes to be well-capitalized in an effort to mitigate such risks.

Counterparty Risk

The client will be subject to the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes, which could subject the client to substantial losses. In an effort to mitigate such risks, the Adviser and its affiliates will attempt to limit transactions to counterparties that it believes are established, well-capitalized and creditworthy.

Item 9: Disciplinary Information

In June 2007, Fairfax Financial Holdings Limited and Crum & Forster Holdings Corp. amended a complaint in an action that they had commenced in 2006 in the Superior Court of New Jersey for Morris County to add the Adviser and James S. Chanos as defendants (the funds advised by the Adviser are not defendants). That action is entitled *Fairfax Financial Holdings Limited et ano. v. S.A.C. Capital Management, LLC et al.*, Docket No. MRS-L-2032-06. In the amended complaint, the plaintiffs asserted numerous claims against the Adviser and Mr. Chanos, as well as a number of other funds and individuals, alleging that the defendants conspired to engage in a pattern of disseminating false information about the plaintiffs in order to cause the share price for each of plaintiffs' securities to go down and in order to earn profits on the short-sale positions that various defendants were taking for their own account. The plaintiffs asserted claims against the Adviser and Mr. Chanos under the New Jersey RICO statute, as well as claims for tortious interference and commercial disparagement. In July 2007, the Adviser and Mr. Chanos joined in the motion filed by the other defendants to dismiss the action. On September 5, 2007, the Superior Court denied that motion. Thereafter, in November 2007, the Adviser and Mr. Chanos filed an answer denying the allegations and asserting numerous affirmative defenses.

On December 23, 2011, after the close of discovery, Judge Hansbury granted the motion for summary judgment made by the Adviser and Mr. Chanos on personal jurisdiction grounds and dismissed with prejudice all claims that were asserted by the plaintiffs against the Adviser and Mr. Chanos. The plaintiffs have filed an appeal with the New Jersey Superior Court, Appellate Division. The briefing for the appeal has been completed, but no date has yet been set for oral argument. .

In May 2015, a First Amended Adversary Complaint was filed in the United States Bankruptcy Court for the Southern District of New York in the proceeding entitled *In re: Motors Liquidation Co.*, Case No. 09-50026 (REG) Adversary Proceeding Case No. 09-00504 (REG), in which Kynikos Opportunity Fund, L.P., Kynikos Opportunity Fund II, L.P and Kynikos Opportunity Fund International Limited, among many others, are named as defendants. The Complaint alleges that these funds received certain transfers from the debtors that should be returned to the bankruptcy estate. Defendants have moved to dismiss the Complaint, but the motion has not yet been decided. At present, the Adviser is unable to predict the likely outcome of this matter.

The Adviser and its employees do not have any disciplinary events or other legal events to disclose.

Item 10: Other Financial Industry Activities and Affiliations

The Adviser is affiliated with the entities listed below and where indicated, acts as the managing member, sole shareholder or investment adviser of the entities listed below. The Adviser also shares personnel, office space, facilities and systems with these entities.

Affiliated General Partners/Investment Advisers of the Private Funds

Kynikos Opportunity Management LLC
Kynikos Opportunity Management International LLC

Its Managing Member/Sole Shareholder

Ursus Capital Management I LLC
Kynikos Associates LP

Ursus Capital Management I LLC
Kyn Limited
KACP Advisors LLC
KA Advisors International LLC

James S. Chanos
Kynikos Associates LP
Kynikos Associates LP
Kynikos Associates LP

U.S. Private Funds

Kynikos Opportunity Fund, L.P.
Kynikos Opportunity Fund II, L.P.
Kriticos Partners, L.P.
Ursus Partners, L.P.
Kyn Wilson Fund, L.P.
KynShip, L.P.
Kynikos Capital Partners LP
Kynikos Global Capital Partners LP

General Partner of U.S. Private Fund

Kynikos Opportunity Management LLC
Kynikos Opportunity Management LLC
Ursus Capital Management I LLC
Ursus Capital Management I LLC
Kynikos Opportunity Management LLC
Ursus Capital Management I LLC
KACP Advisors LLC
KACP Advisors LLC

Offshore Private Funds

Kynikos Opportunity Fund International Limited

Kynikos Opportunity Fund Institutional Limited
Ursus International Limited
Kriticos International Limited
Kriticos Institutional Limited
Kyn Opp LP¹
Kynikos Capital Partners Limited
Kynikos Global Capital Partners Limited

**Investment Adviser of Offshore
Private Fund**

Kynikos Opportunity Management
International LLC
Kynikos Associates LP
Kynikos Associates LP
Kynikos Associates LP
Kynikos Associates LP
Kynikos Associates LP
KA Advisors International LLC
KA Advisors International LLC

The Adviser performs similar advisory services for the entities that are clients and may sponsor or establish other private funds, including hedge funds and single-investor funds, and separately managed accounts during the same period in which it provides services to these clients.

Affiliates of the Adviser may invest in certain of the funds listed above. Minimum investments may be waived for such persons; provided, however, that in no circumstance will the minimum investment in an offshore hedge fund be reduced below \$100,000. In addition, the management and/or performance fees charged to such persons may, in the sole and absolute discretion of the Adviser, be waived, reduced or rebated.

¹ The general partner of Kyn Opp LP, a Cayman Islands exempted limited partnership, is Kyn Limited, a Cayman Islands exempted company.

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

Subject to internal compliance policies and approval procedures, limited partners and employees of the Adviser may engage, from time to time, in personal trading of securities and other instruments, including securities and instruments in which the funds and managed accounts managed by the Adviser and its affiliates may invest.

To better prevent insider trading and front-running, and to ensure the satisfaction of the Adviser's fiduciary obligations to its advisory clients, the Adviser has adopted a Code of Ethics. A copy of the Code of Ethics is available to any client or investor or prospective client or investor upon request.

The Code of Ethics is predicated on the principle that the Adviser and its employees owe a fiduciary duty to their clients. Pursuant to the Code of Ethics, the Adviser requires employees to report their personal securities transactions and holdings periodically and to, among other things:

- Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employees, colleagues in the investment profession and other participants in the global capital markets;
- Bring forward any conflict of interests that may arise with providing investment advice to clients;
- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- Conduct all personal securities transactions in a manner consistent with the Code of Ethics;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions and engaging in other professional activities;
- Comply with applicable provisions of the federal securities laws; and
- Report violations of the Code of Ethics promptly to the Adviser's Chief Compliance Officer.

In addition, the Code of Ethics requires the Adviser to provide a copy of the Code of Ethics and any amendment to each employee and each employee to provide the Adviser with a written acknowledgment of his or her receipt of a copy of the Code of Ethics and any amendment.

Employees of the Adviser may not trade in securities (other than mutual funds, money market funds, unit trusts, U.S. Government and agency securities or municipal securities for investment purposes) for a proprietary account or for the account of any person (other than a client), unless such trade has been specifically approved in writing in advance by the Adviser's Chief Compliance Officer. Any such transaction consummated without prior written approval will be canceled by the end of the business day.

When any security is recommended to be bought or sold for a client, and a position in that security or any other security of the same issuer has been held in a proprietary account of an employee since the commencement of such employee's association with the Adviser or, to such employee's reasonable knowledge, in the personal account of an immediate family member of such employee, including any relative, spouse, or relative of the spouse of an employee, and any other adult living in the same household as the employee at such time, such employee must affirmatively disclose such information to James S. Chanos, the Principal of the Adviser, and the Chief Compliance Officer prior to making such recommendation or executing such transaction, as the case may be. The Principal and the Chief Compliance Officer may restrict such employee from buying or selling the security for his or her proprietary account.

Affiliates of the Adviser may invest in the domestic and offshore hedge funds. Accordingly, affiliates of the Adviser may have a financial interest in some, but not all, of the funds. The Adviser may make the same investment decision and pursue similar investment strategies for its clients, including funds in which the Adviser's affiliates may have invested. In the event that the Adviser purchases or sells the same securities for more than one client, such purchases or sales will be allocated on a systematic or equitable basis.

The Adviser or its applicable affiliate(s) may also acquire certain assets from other accounts that they manage by means of a crossing of securities. The Adviser and its applicable affiliate(s), however, will not engage in cross trades except in compliance with applicable law and the Adviser's compliance policies and procedures.

Item 12: Brokerage Practices

The Adviser is authorized to designate the brokers, dealers, banks, clearing associations, depositaries and other counterparties and financial institutions, all of which are collectively referred to as "brokers," to be used to effect and clear securities transactions for the funds and managed accounts. Accordingly, the Adviser will designate brokers from time to time. The Adviser does not presently use one particular broker.

The policy of the Adviser is to select brokers that will enable the Adviser to obtain "best execution" of its clients' transactions under the circumstances of the particular transaction. In selecting brokers to effect portfolio transactions, the Adviser will consider factors such as, among other things, execution price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility, and any research or investment management-related services provided by such brokers. The Adviser does not have an obligation to seek the lowest bid or solicit competitive bids. Accordingly, if the Adviser determines in good faith that the commissions charged by a broker are reasonable in relation to the value of the brokerage and research services provided by that broker, the clients may pay commissions to that broker that are greater than the commissions another broker might charge.

Certain brokers used by the Adviser to effect transactions for clients may provide certain brokerage and research services and products in exchange for commissions or "soft dollars." To the extent that the Adviser uses soft dollars generated by the execution of securities transactions to obtain services and products that would otherwise be an expense of the Adviser or its affiliates, this use of soft dollars could be viewed as additional compensation to the Adviser or its

affiliates creating a potential conflict of interest between the fiduciary duty to manage the clients' portfolios in the respective best interests of the clients and the Adviser's desire to receive or direct these soft dollar benefits. However, only soft dollar arrangements that fall within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended, will be permitted.

Services and products obtained with soft dollars generated by some clients may be used by the Adviser to service accounts of other clients. Nonetheless, the Adviser believes that such brokerage and research services and products provide all of its clients with benefits by supplementing the research otherwise available for advising them.

Brokerage services that fall within the Section 28(e) safe harbor are those products and services that relate to the execution of securities transactions from the point at which the Adviser communicates with the broker for the purpose of transmitting an order for execution through the point at which funds or securities are credited to the applicable account. Such brokerage services may include, among other things, communication services related to the execution, clearing and settlement of securities transactions and other functions incidental to effecting securities transactions, i.e., connectivity service between the Adviser and the broker and other relevant parties such as custodians (including dedicated lines between the broker and the Adviser's order management system, lines between the broker and order management systems operated by a third-party vendor, dedicated lines providing direct dial-up service between the Adviser and the trading desk at the broker, and message services used to transmit orders to brokers for execution), trading software used to route orders to market centers, software that provides algorithmic trading strategies and software used to transmit orders to direct market access systems.

Research services that fall within the Section 28(e) safe harbor include investment advice, analyses and reports and may include, among other things, research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, software that provides analyses of securities portfolios, pre-trade and post-trade analytics, software and other products that depend on market information to generate market research (including research on optimal execution venues and trading strategies) and market data.

To fall within the Section 28(e) safe harbor, eligible brokerage and research services and products must provide lawful and appropriate assistance to the Adviser in the performance of its investment decision-making responsibilities on behalf of its clients, and the Adviser must make a good faith determination that the commissions paid for such services and products are reasonable in relation to the value of the brokerage and research services and products received.

Where a product or a service obtained with soft dollars provides both research and non-research assistance, the Adviser will make a reasonable allocation of the cost of such product or service according to its use, with the portion allocable to research eligible under the Section 28(e) safe harbor being paid with soft dollars, and the ineligible portion being paid by the Adviser using its own funds.

Typically, purchase and sale orders placed during a trading day on behalf of the funds and the managed accounts are combined, and securities bought and sold pursuant to such orders are allocated among such clients on an average price basis.

Item 13: Review of Accounts

The Controller with respect to the applicable fund or managed account reviews daily the transactions entered for such client and determines that correct entries have been made for all such client records. The Chief Financial Officer of the Adviser also reviews daily the transactions and entries as well as client accounts and portfolios.

Investors in the funds receive audited financial statements prepared by an independent auditor within 90 days of the end of the fiscal year, or as soon as reasonably practicable thereafter. Investors in the funds receive periodic written unaudited performance information no less frequently than quarterly. The funds also provide their respective investors with monthly written performance updates.

The managed account clients receive directly from their respective custodians written transaction confirmation notices and account statements at least quarterly on the investment performance and value of the assets under management, as well as quarterly written statements from the Adviser.

Item 14: Client Referrals and Other Compensation

Neither the Adviser nor any of its affiliates (i) is paid cash or receives an economic benefit from a third party in connection with giving advice to clients or (ii) directly or indirectly compensates any person for client referrals.

Item 15: Custody

The Adviser may be deemed to have constructive custody of certain client assets as a result of fee payments or the service of its affiliates as general partners of private investment partnerships. Actual custody of the funds' and other clients' assets, however, is with broker-dealers, banks or trust companies, not with the Adviser.

The managed account clients receive directly from the accounts' respective custodians transaction confirmation notices and account statements at least quarterly on the investment performance and value of the assets under management. In order to ensure that all account transactions, holdings and values are correct and current, the Adviser urges clients to compare the account statements that they receive from their respective custodians with the statements received from the Adviser.

Item 16: Investment Discretion

The Adviser exercises investment discretion over all of the accounts it manages. This authority is established through the subscription documents completed and signed by each investor in the funds and the managed account agreement signed by each holder of a managed account.

Item 17: Voting Client Securities

The Adviser has adopted proxy voting policies and procedures to guide the Adviser's exercise of this responsibility on behalf of the funds and other clients. Voting is subject to the advisory agreements of the respective funds and managed accounts. When the Adviser has discretion to vote the proxies of its clients, in the absence of specific guidelines in these agreements, the Adviser will vote the proxies in the best interest of each particular fund or managed account, which may result in different results for proxies for the same issuer.

General Policy

The Adviser believes that voting proxies in accordance with the following general policy is in the best interest of each fund or account that it advises:

For routine corporate housekeeping proposals that implicate corporate governance changes, non-routine proposals where no specific policy applies or a proposals for which material conflicts of interest exist (see "Conflicts of Interest" below), then the Adviser may engage an independent third party to determine how the proxies should be voted.

In voting on each and every issue, the Adviser shall vote in a prudent and timely fashion and only after a careful evaluation of the issue(s) presented on the ballot. The Adviser will determine whether a proposal is in the best interests of the applicable fund or account and may take into account the following factors, among others:

- whether the proposal was recommended by management and the Adviser's opinion of management;
- whether the proposal acts to entrench existing management; and
- whether the proposal fairly compensates management for past and future performance.

ERISA Accounts Policy

Some funds and managed accounts may be subject to the Employee Retirement Income Security Act of 1974, as amended, or ERISA. Solely with respect to these ERISA accounts, the Adviser will act in a manner consistent with Department of Labor Interpretive Bulletin 08-2. In particular, where the named fiduciary of the applicable ERISA plan has reserved to itself (or to another fiduciary in accordance with the applicable ERISA plan document) the right to direct the voting of some or all proxies, the Adviser will deliver to such fiduciary all such proxy materials for exercise by that ERISA plan fiduciary. Where the named fiduciary has not reserved such voting right but has expressly conditioned the Adviser's engagement as investment manager upon compliance with a statement of investment policy that includes policies on proxy voting, the Adviser will vote the proxies for shares in the applicable ERISA accounts managed by the Adviser in a manner consistent with such policies except to the extent that the Adviser determines that adherence to such policies would violate its fiduciary duties under ERISA.

In all other cases where the Adviser has been appointed as an investment manager for an ERISA account, the Adviser will vote the proxies for shares of stock under the Adviser's control that are

held for the applicable ERISA plan in a manner consistent with its fiduciary duties under ERISA and with a view to enhancing the value of the shares of stock, taking into account the period over which the Adviser expects to hold such shares for the applicable ERISA plan. The Adviser will maintain accurate records of its voting of shares of stock held for its ERISA accounts, including, where appropriate, cost-benefit analyses, and will make such records or extracts thereof available to plan administrators and fiduciaries upon request.

The above policies regarding proxy voting for ERISA accounts will take precedence over the general proxy voting guidelines set forth above in the event of any conflict between them. The proxy voting policies and procedures set forth in the immediate preceding two paragraphs are not applicable to the voting by the Adviser of proxies on behalf of non-ERISA accounts.

General Proxy Voting Procedures

All proxies received by the Adviser will be sent to the Chief Compliance Officer, who will:

- keep a record of each proxy received;
- determine which funds and accounts managed by the Adviser hold the security to which the proxy relates; and
- absent material conflicts (see “Conflicts of Interest” below), consult with the portfolio managers for the applicable funds and accounts to determine how the Adviser should vote the proxy.

The portfolio managers for the applicable funds and accounts will send their respective decisions on how the Adviser will vote a proxy to the Chief Compliance Officer. The Chief Compliance Officer is responsible for completing the proxy and mailing the proxy in a timely and appropriate manner.

The Adviser may retain a third party to assist it in coordinating and voting proxies with respect to client securities. If so, the Chief Compliance Officer will monitor the third party to assure that all proxies are being properly voted and appropriate records are being retained.

Conflicts of Interests

The Chief Compliance Officer, in consultation with the President, will seek to identify conflicts that the Adviser may have in voting proxies. The Chief Compliance Officer will review the relationship between the Adviser and its affiliates with the issuer of each security and any of the issuer’s affiliates to determine if the issuer is a client of the Adviser or an affiliate of the Adviser or has some other relationship with the Adviser or a client of the Adviser.

In the event of a material conflict, the Adviser will:

- disclose such conflict to the affected clients and either (i) obtain written directions from such affected clients as to how to vote their proxies or (ii) request that such affected clients vote their proxies themselves;

- engage a disinterested third party to determine how to vote the proxies; or
- abstain from voting if such action is determined by the Adviser to be in the best interest of the affected clients under the circumstances.

Disclosure

If a client or investor requests information on how the Adviser voted such client's or investor's fund's proxies, the Chief Compliance Officer shall prepare a written response that lists, with respect to each voted proxy about which the client or investor has inquired, (i) the name of the issuer; (ii) the proposal voted upon; and (iii) how the Adviser voted the proxy. In addition, a copy of the Adviser's proxy voting policies and procedures shall be furnished upon request to any client of the Adviser or fund investor.

Item 18: Financial Information

This Item is not applicable to the Adviser.