

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

March 30, 2018

### **CASPIAN CAPITAL LP**

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**This brochure provides information about the qualifications and business practices of Caspian Capital LP. If you have any questions about the contents of this brochure, please contact us at 212-826-7548 and/or email [adele@caspianlp.com](mailto:adele@caspianlp.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Caspian Capital LP also is available on the SEC’s website at <http://www.adviserinfo.sec.gov>.**

**Registration with the SEC or with any state securities authority does not imply any level of skill or training with respect to the investment advisory services that Caspian Capital LP provides.**

## **Item 2 - Material Changes**

In this update filing, we updated the assets under management and information relating to our advisory clients.

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#### **Item 4 - Advisory Business**

- A. Caspian Capital LP, formed in October 2010, is an investment advisory services firm specializing in alternative investment management. The principal owners of our firm are Adam S. Cohen and David N. Corleto (the “Principals”). The first Caspian fund was established in 1997 when Caspian was part of another institution.

We use the terms “Caspian” and “we” in this brochure to refer to Caspian Capital LP and various affiliates and related entities that are also involved in conducting our business.

- B. Caspian specializes in offering investment management services to private investment funds and similar institutional accounts. Caspian also provides sub-advisory services on behalf of an open-end investment company registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”) and an investment company incorporated in Ireland. In providing our advisory services, our objective is to achieve capital appreciation over the long term by applying a flexible and opportunistic approach to investing which involves evaluating the current attractiveness of various asset classes, including bank loans, bonds, equities, speculative investments and cash equivalents. We may trade and make investments in public and private debt and equity securities. Consistent with this opportunistic approach, however, there are no fixed limitations or diversification requirements as to specific asset classes in which we invest.

We use the term “Caspian Funds” in this brochure to refer to the private funds and dedicated investor funds that we sponsor, manage and advise. We use the term “Managed Account” with respect to our sub-advisory agreement with the investment company (“RIC Account”) and the investment company incorporated in Ireland (“UCITS Account”) and managed account agreements with private funds not sponsored by Caspian.

- C. Our firm tailors our advisory services to the specified investment mandates of our clients. Our Principals have sole discretion over the allocation of the assets of the Caspian Funds and adhere to the investment strategy set forth in the Caspian Funds’ private placement memoranda and the investment guidelines as may be agreed for certain Caspian Funds and the Managed Account clients. Investors in some Caspian Funds can impose restrictions on investing in certain types of investments. In these cases, we may avoid investing in the restricted positions on behalf of the entire Caspian Fund or exclude the affected investors from participating in these positions and allocate profits and losses with respect to these positions separately from the rest of the Caspian Fund’s portfolio. These types of terms are all arranged on a case-by-case basis.
- D. We do not participate in wrap fee programs.

- E. The amount of client regulatory assets that we advise or manage on a discretionary basis, as of January 31, 2018 is \$3,526,054,000.

## Item 5 - Fees and Compensation

- A. We generally receive compensation from each client based on a percentage of value of the net assets we manage and with the exception of the RIC Account, on performance achieved for the account of investors therein or the relevant Managed Account. Detailed information concerning our compensation and fees is contained in the private placement memorandum of each Caspian Fund and/or in the organizational documents of the Caspian Funds and the Managed Account operational agreement.
- B. We generally deduct the asset-based fee from Caspian Funds' accounts quarterly in advance. We generally deduct the performance-based compensation described above from Caspian Funds' accounts at the end of each calendar year or at the time of investor withdrawals. We invoice our Managed Account clients for quarterly or monthly management fees and, if applicable, annual performance compensation.
- C. Each client, subject to its governing documents, generally bears its own investment and trading expenses; its organizational expenses; and its accounting and administrative expenses. Investment and trading expenses generally include brokerage commissions and spreads, custody charges, bank service fees, interest expenses, risk management expenses, expenses related to the purchase, monitoring, sale, settlement and transmittal of assets, research and market data expenses, fees of legal advisers and other consultants relating to investments and prospective investments, research expenses, and insurance premiums (including our professional liability insurance and cybersecurity insurance). Organizational expenses generally include the expenses of preparing organizational and offering documents as well as regulatory expenses and filing fees. Accounting and administrative expenses generally include the fees and expenses of third party administrators, independent auditors, tax expenses (including tax preparation and any expenses associated with FATCA/CRS compliance) and advice, as well as other costs of maintaining records and reporting to investors. The clients also bear extraordinary expenses, such as litigation expenses. If an expense item relates to more than one client, we allocate it equitably among the clients, based on relative investment size, account size or other appropriate criteria. Please see Item 12 which discusses our brokerage practices.
- D. Caspian Funds generally do not permit withdrawals except as of the end of each quarter (or for certain limited strategies, month-end dates). If there is a withdrawal during a quarter for which the management fees were pre-paid or if a Managed Account agreement is terminated during a quarter, we will refund a pro rata portion of any fees paid at the beginning of the quarter.
- E. Neither our firm nor any of the Principals or employees receives any transaction-based compensation for the sale of securities or other investment products.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

Caspian receives performance-based compensation from each of its clients other than the RIC Account. There is a potential conflict of interest for Caspian in favoring clients subject to performance compensation over the clients that are not subject to performance compensation. Caspian's investment allocation policies preclude us from taking into account compensation when allocating limited investment opportunities. The potential allocation conflict is also minimized in light of the limited, specialized investment mandates of the clients that are not subject to performance compensation.

## **Item 7 - Types of Clients**

With the exception of the RIC Account and UCITS Account, all of our clients are private investment funds. Caspian Funds' investors include a broad range of U.S. and non-U.S. institutions and high net worth individuals. We require investors in the Caspian Funds that are U.S. persons to be "accredited investors" and "qualified purchasers" (as defined in applicable federal securities laws and regulations). We also provide advisory services to a series of registered investment companies.

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

Caspian's investment objective is to create risk adjusted returns that achieve capital appreciation over the long term by applying a flexible and opportunistic approach to investing. Caspian invests in multiple asset classes including bank loans, bonds, equities, speculative investments and cash equivalents. We may trade and make investments in public and private debt and equity securities.

As a result of Caspian's investment objective, Caspian invests in a variety of securities but has historically focused on three trading strategies: (1) stressed/distressed situations, (2) capital structure arbitrage and (3) value shorting. We may engage in other kinds of strategies where we believe the risk/reward parameters may be favorable for our clients. In addition, the diversification of the various strategies that we employ will vary depending on market conditions and opportunities. Each strategy employed involves the risk of capital loss that clients must be prepared to bear.

Generally, Caspian's investment approach is based on fundamental analysis, with valuation work and models focusing on, among other things, going concern and asset liquidation scenarios. Caspian opportunistically buys stressed/distressed positions of companies we believe have quality assets, high market share, strong free cash flow and/or a near-term catalyst. We continually look for relative pricing and valuation anomalies which drives our capital structure arbitrage opportunities. We also seek to establish short positions in companies whose business models expose them to significant cyclicity or potential negative events with asymmetric risk/reward.

We may participate in credit committees at times, or take a board seat, but generally do not seek to take control of companies. We generate ideas through direct research of specific companies and sectors and through discussion with sell-side broker/dealers and research analysts, other investment funds, restructuring lawyers and financial advisors.

We investigate ideas from multiple angles and perspectives, looking up and down the capital structure and across industries at competitors, suppliers and/or customers.

Subject to limitations under the Investment Company Act (and the European Communities' Undertakings in Collective Investment in Transferable Securities), our client accounts have the ability to invest in all securities in the capital structure of a company. We have significant experience in corporate credit, and we may invest (long and short) in credit instruments such as (i) first and second lien bank loans, and (ii) senior secured, junior secured, senior unsecured, junior unsecured, mezzanine, and subordinated corporate bonds. In addition, we expect to have exposure to equities (including common and preferred), options, warrants, swaps (including credit default swaps), other derivatives, and/or convertible bonds depending on our point of view on hedging relative value and overall portfolio risk. We tend to focus on asset heavy businesses.

Our investment strategies and the securities and other assets in which we invest give rise to a variety of risks, including the following:

*Non-investment grade investments:* We rarely invest in investment grade securities. Our strategies often call for us to invest in debt of companies experiencing financial distress or stress, and our credit investments often are unsecured or subordinated. As a consequence of the nature of our strategies and our investments, there is a risk that we may lose some or all of the cost of almost every investment that we make. Our strategies and the success of our accounts depend upon our ability to gather all relevant information about each investment and to assess it accurately, not only at the time of investment but through our holding period until we dispose of the investment. Our expectations regarding the favorable outcome of any investment can be adversely affected by numerous factors beyond our control, including our receipt of incomplete or inaccurate data, our failure to assess it accurately and unpredictable changes in circumstances, including unforeseeable macro-economic circumstances unrelated to our analysis of the specific investment.

*Illiquidity.* We make investments in securities or other assets that are not readily marketable or that may cease to be readily marketable after we make our investment. During market dislocations, these types of investments often experience extreme price volatility, which may make it difficult for us to realize the full intrinsic value of such investments if we were forced to sell them.

*Valuation.* Investors in the Caspian Funds purchase and redeem interests in these funds based on a determination of the fair value of the assets and liabilities of these funds. In addition, our management fees and incentive compensation with respect to Caspian Funds are determined by reference to these valuations. We may make investments that are difficult to value due to the absence of quoted prices for identical assets or liabilities in an active market. Investors can be adversely affected if we are not able to realize the value that we ascribe to an investment upon the sale of the security or asset.

*Competition.* The success of our investments may depend on our ability to identify or exploit opportunities more efficiently than other market participants. Our ability to do so



may be adversely affected as a result of the highly competitive nature of the asset management industry.

*Short sales.* Our strategies may call for short sales not only for hedging purposes but also to exploit situations in which we believe an investment has been overvalued by market participants. If our assessment is incorrect, there is risk that we could incur a potentially unlimited amount of loss from the short sale.

*Leverage.* We generally have the discretion to use borrowing and other forms of leverage in our strategies. While the use of leverage can amplify the profit on successful investments, it can also amplify the losses incurred on unsuccessful investments.

*Caspian Fund structure: limited liquidity and transparency.* An investor's investment in multi-investor Caspian Funds is subject to the structure and terms of the fund. Liquidity and transparency with respect to certain Caspian Funds are much more restricted than would be the case for a separate account held by a custodian in the name and for the personal account of the investor in its own name.

*Conflicts of interest.* As described elsewhere in this brochure, we are subject to various conflicts of interest as a result of our management of multiple accounts, the nature of our compensation arrangements, and the use of a fund structure. The existence of these conflicts of interest may influence the independence of our judgment.

*Cybersecurity.* The computer systems, networks and devices used by Caspian, our service providers and the Clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks and/or devices could be breached. A Client and its investors may be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks and/or devices, infection from computer viruses or other malicious software code and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause (i) disruptions and impact business operations, potentially resulting in financial losses to a Client, (ii) interference with our ability to calculate the value of an investment, (iii) impediments to trading, (iv) the inability to transact business, (v) violations of applicable privacy and other laws, (vi) regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs, as well as (vii) the inadvertent release of confidential information.

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a Client invests, counterparties with which a Client engages in transactions; governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial

institutions and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

The private placement memoranda for the Caspian Funds (and in certain cases, the operating agreements) contain a discussion of various risk considerations that is more extensive in scope and depth than the foregoing summary.

## **Item 9 - Disciplinary Information**

There have been no legal or disciplinary events involving Caspian, its general partner or any of our Principals or executive officers.

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

### Relationship with the Caspian Funds

We manage each of the Caspian Funds either as the general partner (in the case of Caspian Funds formed as partnerships) or by designating Principals of our firm to serve on the board of directors (in the case of Caspian Funds formed as corporations). Most of the Caspian Funds do not have independent management, and most do not have boards of directors that consist solely of independent directors. As a result of our sponsorship of and control over the Caspian Funds, the terms of the Caspian Funds are not necessarily negotiated at arms-length. The Caspian Funds include:

- Caspian Select Credit Fund, L.P., Caspian Select Credit International, Ltd. and Caspian Select Credit Master Fund, Ltd.
- Caspian Solitude Master Fund, L.P.
- Caspian SC Holdings, L.P.
- Caspian Focused Opportunities Fund, L.P. and Caspian Focused Opportunities International Fund
- Caspian HLSC1, LLC.
- Super Caspian Cayman Fund Limited
- Caspian Keystone Focused Fund, L.P.
- Caspian Inefficient Markets Fund, L.P. and Caspian Inefficient Markets International Fund, L.P.

### Multiple Clients

Since we have more than one client, our personnel cannot devote their exclusive attention to any single client.

On occasion, the interests of one client may conflict with those of another. For example, certain Caspian Funds have similar investment mandates. As a result, it is sometimes necessary for us to allocate limited opportunities among them rather than allocating the entire opportunity to any one client. Caspian affiliates have equity investments in certain Caspian Funds. These investments can theoretically pose a conflict of interest in that we may be motivated to allocate time, attention and investment opportunities to clients in

which we are invested at the expense of the other clients. We have adopted policies and procedures that require us to allocate investment opportunities in a fair and equitable manner. See Item 12.B.

Some advisory clients of Caspian may be registered under the Investment Company Act. Such registered advisory clients are subject to restrictions on transactions with certain affiliates, including Caspian and its clients. For this reason, Caspian could be limited in effecting certain transactions that might otherwise benefit a client to the extent that such transactions constitute prohibited joint transactions under the Investment Company Act.

Situations may occur in which we conclude that it is in the best interests of one client to purchase an investment (for example, when a Caspian Fund has received new capital from investors) and in the best interests of another client to sell the same investment (for example, when a Caspian Fund must raise cash to fund investor redemption requests). In these circumstances and solely to the extent permitted by law and the operating agreements, we may determine that both clients will benefit by crossing the position privately rather than by effecting independent purchase and sale transactions in the secondary market. In general, while we seek to effect any cross trades at a price and on terms that we believe are arms-length and fair, there may be no opportunity for any investor in a Caspian Fund to consent to or receive notification of these cross trades unless required by law.

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

Caspian has adopted a Code of Ethics (the “Code”), which sets forth standards of business and personal conduct for partners, directors and officers of Caspian and Caspian employees (collectively hereinafter defined as “Covered Persons”) and addresses conflicts that arise from personal trading by such Covered Persons. The Code is predicated on the basic principle that employees of Caspian will adhere to high ethical standards and fiduciary principles, and must:

- Place client interests first;
- Engage in personal securities transactions consistent with the Code and avoid any actual, potential or apparent conflict of interest or any abuse of position of trust and responsibility;
- Keep security holdings and financial circumstances of clients confidential; and
- Adhere to the principal that fairness and independence in the investment decision-making process is of paramount importance.

Covered Persons are prohibited from purchasing initial public offerings, except with the express written approval of Caspian’s Chief Compliance Officer. In addition Covered Persons are generally prohibited from purchasing most other types of securities with limited exceptions. Specifically, Covered Persons are permitted to personally invest in “Exempted Securities” as defined under the Code and subject to pre-clearance, Covered Persons may also purchase and sell, among other things, registered closed-end mutual

fund shares, municipal securities and limited offerings including private partnerships. Covered Persons are discouraged from frequent personal trading. Each Covered Person must submit an initial holdings report and update it on an annual basis. In addition, each Covered Person must submit quarterly transaction reports and arrange for duplicate brokerage reports to be sent to Caspian. A copy of the Code of Ethics is filed with the registration statement of the RIC Account that Caspian sub-advises. Clients and prospective clients may obtain a copy of the Code of Ethics by contacting Caspian.

Exceptions to these policies and procedures may, from time to time, be granted where Caspian believes that the expected activity would not be likely to compromise client interests. Employee violation of Caspian's Code can result in remedial measures including disgorgement of profits (if any), and depending upon the facts or circumstances, more severe actions up to and including monetary fines and termination of employment.

In addition to the personal trading policy described above, the Code is comprised of several other policies and procedures that are designed to eliminate or reduce potential conflicts of interest, including prohibitions against market manipulation, deceptive practices, front running or scalping, bribery and similar illegal conduct. Caspian prohibits the misuse of material non-public information ("inside information") and maintains a restricted list of securities that may not be purchased or sold by its employees for their own accounts or for client accounts because of the actual or possible possession of inside information. Caspian also has a gifts & entertainment policy which covers the acceptance of gifts or entertainment from service providers and other parties, as well as providing gifts or entertainment to certain prospective and existing investors in Caspian Funds in accordance with the federal pay-to-play rules.

See Item 10 for information concerning the possibility of cross-trades between accounts.

## **Item 12 - Brokerage Practices**

A. In placing orders for the purchase and sale of securities for clients, Caspian's policy is to seek the best execution of orders, which means that it seeks to ensure that the client's total cost or proceeds is the most favorable under the circumstances. Caspian does not adhere to any rigid formulas in making its selection of broker-dealers to effectuate securities transactions on behalf of its clients, but weighs a combination of qualitative and quantitative factors or criteria which may include the following:

- a broker's reliability, reputation and integrity;
- a broker's experience in the industry;
- financial stability, liquidity and or ability to commit capital;
- efficiency in executing and clearing transactions (e.g., ability to prospect for and provide liquidity and block trades, while avoiding unwanted market impact);
- competitive commission rates, markups and other fees and spreads and general responsiveness to our firm; and

- the size of the order.

The applicability and importance of specific criteria will vary depending upon the nature of the transaction, the asset class, the market in which it is effected, and the extent to which it is possible to select from among multiple brokers or dealers capable of effecting the transaction.

We have not entered into any soft dollar agreements or understandings with brokers or others although we accept research materials from various broker dealers free of charge. We do not consider referrals in selecting broker-dealers, nor do we permit clients or investors to direct brokerage. Our brokerage policy enables us to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to or pay higher commissions to brokerage firms that provide us with investment and research information. Since commission rates in the U.S. as well as in certain other jurisdictions are negotiable, selecting brokers on the basis of considerations that are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. Research products and services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. In the event that Caspian utilizes “soft dollars”, it will do so solely to pay for products or services that qualify for the safe harbor within the meaning of Section 28(e). Using client transactions to obtain research and other benefits creates incentives that may result in conflicts of interest between an adviser and its clients. The availability of these benefits may influence the adviser to select one broker rather than another to perform services for clients, based on its interest in receiving the products and services instead of on our clients’ interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other broker-dealers.

#### B. Trade Allocations- Policies and Procedures

Our clients can have similar investment strategies. As a result, our clients tend to participate in the same investment opportunities. For each investment opportunity, we place one aggregate order which is then allocated among our clients’ accounts on a pro rata basis. When a transaction is suitable for more than one client, we will generally attempt to allocate purchase and sale opportunities on a fair, equitable and consistent basis. We may consider some or all of the following factors in making allocation decisions among our clients: the investment objectives, policies, contractual and legal restrictions, risk tolerance, time horizon, tax sensitivity, desired capitalization range, nature and size of the account, suitability, tolerance for portfolio turnover, availability of cash or buying power, account “ramp-ups”, and whether the client or particular investors are eligible to participate in a trade pursuant to applicable compliance regulations or client specific policies or restrictions.

Allocations aim to ensure that over time no client (or group of clients) is systematically favored over any other client (or group of clients). Subject to suitability factors outlined above, allocation methodologies are generally made pro rata based on the capital amount in each account (“Pro Rata”). There are exceptions to this policy. For example, if the Pro Rata allocation results in a cash position that is different from the desired cash level, or if the position would be inconsistent with the investment objectives of one or more accounts, we may deviate from the Pro Rata formula. We may also deviate from this policy in order to address liquidity concerns and other practical limitations associated with partial fills or small allocations by allocating to participating accounts a minimum number of shares or bonds. Notwithstanding the above, securities may not be allocated Pro Rata or otherwise as described above in the case of a transaction involving so few shares or bonds such that normal allocations among client accounts would be impracticable or result in a nonconforming allocation for one or more particular clients (e.g., when securities only trade in larger blocks or minimum lots). In such cases, we will use our best efforts to allocate amounts fairly, and we will regularly document all deviations from standard allocation guidelines and practices in writing.

### **Item 13 - Review of Accounts**

- A. The Risk Committee’s Portfolio Subcommittee reviews all of our client fund portfolios and analyzes their performance on a regular basis, but no less than monthly. Where applicable, these reviews include an assessment of profit and loss reports with respect to our clients’ investment positions.
- B. Aside from our regular reviews described above, we may choose to review a client account if there are significant profit and loss changes or a severe dislocation in the financial markets.
- C. We provide investors in the Caspian Funds with written monthly reports that contain information about the fund in which they have invested. Our administrator also provides each investor in our funds with the investor’s own individual monthly capital account statements. We also provide them with written annual reports that contain audited financial statements and tax information. Upon request, our investors may receive intra-monthly emails containing estimated account performance details. We are also available for in-person meetings with any requesting investor to review portfolio or other fund related matters subject to confidentiality obligations contained in the relevant client documents. Upon investors’ request, we provide information to risk aggregating service firms retained by them.

We provide the Managed Account clients with such reporting as has been agreed with them in the advisory agreement.

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

We do not have any arrangements with placement agents or arrangements to compensate third party persons or entities for client referrals or to solicit clients. We do not receive any economic benefit from third parties for providing advisory services to our clients.

## **Item 15 - Custody**

Due to our access to Caspian Funds' funds and securities as general partner or manager of the Caspian Funds, and our authority to deduct fees and other expenses from these clients' accounts, we are deemed to have constructive custody of Caspian Funds' funds and securities within the meaning of Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "Custody Rule").

We utilize the services of unrelated financial institutions or other qualified custodians (as defined in the Custody Rule) to hold all funds and securities of the Caspian Funds, with the exception of certain privately offered securities. We also ensure that the qualified custodian maintains such funds and securities in accounts that contain only clients' funds and securities, under our name as agent or trustee for the relevant clients.

All of Caspian Funds are pooled investment vehicles. Accordingly, we comply with the periodic reporting requirements of the Custody Rule by arranging for annual financial statements, which are prepared in accordance with generally accepted accounting principles and are audited by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, to be delivered to each investor in the Caspian Funds within 120 days of the end of the fiscal year of the fund.

Our Managed Account clients establish accounts with their own qualified custodians, and none of Caspian or its affiliates has authority to deduct fees or other expenses from the Managed Account clients' assets. Our Managed Account clients receive account statements directly from their qualified custodians. We urge our Managed Account clients to carefully review the statements received from the qualified custodians and compare them to the reports we send.

## **Item 16 - Investment Discretion**

In connection with discretionary authority over our client accounts, we have the authority to determine, without obtaining specific client consent, which securities to buy or sell and the amount of securities to buy or sell, the broker through which we effect trades, and the commission rates at which we effect trades. In exercising this authority, we adhere to the investment strategy and program set forth in each of the Caspian Funds' private placement memoranda and the governing documents of our clients, including the operating agreements with our Managed Account clients and operating documents of certain Caspian Funds. Our authority is subject to investment limitations and guidelines contained in these documents.

Each investor in the Caspian Funds is required to complete our subscription documents (or an equivalent document) to acquire an interest in the fund, which, among other things, confirms that the investor has reviewed the relevant disclosure document describing the scope of our authority and the inability of any investor to direct our trading activities.

Prior to providing investment advice to the Managed Account clients, we required the clients to appoint Caspian as agent for the portfolio that we manage. The advisory agreement gives us discretionary authority to buy or sell assets in the amounts and at the prices that we determine.

## **Item 17 - Voting Client Securities**

- A. Because clients have delegated the power to vote their securities to our firm, we have implemented proxy voting policies and procedures in accordance with securities laws and our fiduciary obligations to our clients. We always strive to vote client proxies in a manner consistent with the clients' best interests and that seeks to protect or enhance shareholder returns. Our policies are designed to prevent our officers, directors and employees from being influenced by outside sources whose interests conflict with our clients' interests.

We have retained Broadridge Investor Communication Solutions, Inc., an unaffiliated third-party proxy voting research service that also provides voting guidelines and recommendations through an arrangement with Glass, Lewis & Co LLC ("GL"), to assist us in researching and voting proxies. While we ultimately make all voting decisions, we generally expect to vote in accordance with GL recommendations. Caspian retains the right to depart from GL's recommendation on any given vote, provided that the details of the vote and the rationale for the departure are documented. In such cases, or when GL does not issue a recommendation, Caspian will use its best judgment to vote such proxies on behalf of its affected clients.

We have reviewed and approved GL's proxy voting guidelines and we believe that the guidelines accurately reflect our objective standards in voting practices.



### Potential Conflicts of Interest

While we always seek to effect proxy voting in the best interests of our clients, there may be instances where voting client proxies present an actual or a perceived conflict of interest between our firm or employees and our clients. Some examples in which potential conflicts of interest may include situations:

- where Caspian manages assets or provides other financial services or products to, or otherwise has a direct business relationship with, a company whose management is soliciting proxies;
- where a Caspian representative serves on the board of directors of a public company soliciting proxies;
- where Caspian has a business relationship with the proponent of a non-management proxy proposal; or
- where Caspian or its employee involved in casting proxy ballots may have a personal interest in the outcome of a particular matter before shareholders.

As noted above, Caspian generally votes proxies in accordance with recommendations provided by a third-party service provider (GL) pursuant to pre-determined policies, thus minimizing the likelihood of conflict affecting Caspian's vote.

### Recordkeeping

We or Broadridge maintain records of (i) all proxy statements and materials received on behalf of clients; (ii) all proxy votes that are made on behalf of the clients; (iii) all documents that were material to a proxy vote; (iv) all written requests from clients regarding voting history; and (v) all responses (written and oral) to clients' requests.

Upon request, any of our clients or any of the investors in Caspian Funds can obtain (i) a copy of our proxy voting policies and procedures and (ii) information concerning proxy voting on its behalf.

- B. In some situations, we may not have the authority to vote on certain clients' securities. In these cases, clients may request information concerning the reason why we do not have the authority to vote on clients' securities.

## **Item 18 - Financial Information**

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

- B. We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients.
- C. Our firm has never been the subject of a bankruptcy petition.