

# **Jeerreddi Investments, LP**

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March 27, 2018

**This brochure provides information about the qualifications and business practices of Jeerreddi Investments, LP. If you have any questions about the contents of this brochure, please contact us at (310) 550-7270 or [nj@jeerreddi.com](mailto:nj@jeerreddi.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. Jeerreddi Investments, LP is an investment adviser that is registered with the SEC. Registration does not imply a certain level of skill or training.**

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

## **Material Changes**

The ADV Part 2A was last updated on March 27, 2018. There have been no material changes to our Form ADV since that time; however, we encourage everyone to read this Form ADV Part 2A in its entirety.

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

Jeereddi Investments, LP was established in 2009 to provide investment advisory services on a discretionary basis to two private pooled investment funds, Jeereddi I, LP and Jeereddi II, LP. Naveen Jeereddi is the principal owner of Jeereddi Investments, LP.

We are a value-oriented firm with a broad mandate. We invest our clients' assets primarily in publicly-traded equity securities, both long and short, but have the flexibility to acquire a broad array of other securities (e.g., debt instruments) in both public and private markets. Our strategy is to invest in those opportunities that show the greatest degree of value differential between market value and intrinsic value. While we adhere to the investment strategy set forth in the clients' private placement memoranda, our clients and their underlying investors may not otherwise impose restrictions on investing in certain securities or types of securities. We currently manage \$83.7 million in client regulatory assets (calculated as of December 31, 2017) on a discretionary basis. We do not manage any assets on a non-discretionary basis.

We do not participate in wrap fee programs.

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

##### Jeereddi I, LP – Fees

Jeereddi I, LP offers two classes of limited partner interests. We generally charge a quarterly management fee in advance at an annual rate of 1.5% of each limited partner's capital account balance attributable to Class A Interests and 1.25% of each limited partner's capital account balance attributable to Class B Interests. The value of the account on which the management fee is based is a limited partner's capital account on the first day of the quarter. Management fees are generally not refundable or negotiable and are deducted from each limited partner's capital account quarterly in advance. We have agreed in the past with respect to certain related persons, and may in the future agree with respect to certain limited partners, to a waiver or variation of the management fee in our sole discretion.

Jeereddi Partners, LLC, the general partner of Jeereddi I, LP and our affiliate, also generally charges an annual performance-based profit allocation at the end of each year of 20% of each limited partner's allocable share of net profits for the fiscal year attributable to Class A Interests and 16.5% of each limited partner's allocable share of net profits for the fiscal year attributable to Class B Interests. The performance allocation is only charged to the extent that such profits exceed any losses carried forward from prior years, based on a "high water mark" formula. The performance allocation is generally calculated and deducted from each limited partner's capital account at the end of each fiscal year. A performance allocation is also calculated and charged (i) with respect to any limited partner permitted or required to withdraw and (ii) with respect to a limited partner making a partial withdrawal of its capital account, as of any time other than the close of a year on the basis of net profits allocated to the limited partner through the withdrawal date (but only with respect to the amount withdrawn on a *pro rata* basis in the event of a partial withdrawal). The performance allocation is generally not negotiable. The

general partner has agreed in the past with respect to certain related persons, and may in the future agree with respect to certain limited partners, to a waiver or variation of the performance allocation in its sole discretion. Lower fees for comparable services may be available from other sources.

#### Jeereddi II, LP – Fees

We generally charge a quarterly management fee in advance at an annual rate of 2.5% of each limited partner's capital account balance. The value of the account on which the management fee is based is a limited partner's capital account on the first day of the quarter. Management fees are generally not refundable or negotiable and are deducted from each limited partner's capital account quarterly in advance. We have agreed in the past with respect to certain related persons, and may in the future agree with respect to certain limited partners, to a waiver or variation of the management fee in our sole discretion.

Jeereddi Partners, LLC, the general partner of Jeereddi II, LP and our affiliate, also generally charges an annual performance-based profit allocation at the end of each year of 20% of each limited partner's allocable share of net profits for the fiscal year, but only to the extent that such profits exceed any losses carried forward from prior years, based on a "high water mark" formula. The performance allocation is generally calculated and deducted from each limited partner's capital account at the end of each fiscal year. A performance allocation is also calculated and charged (i) with respect to any limited partner permitted or required to withdraw and (ii) with respect to a limited partner making a partial withdrawal of its capital account, as of any time other than the close of a year on the basis of net profits allocated to the limited partner through the withdrawal date (but only with respect to the amount withdrawn on a *pro rata* basis in the event of a partial withdrawal). The performance allocation is generally not negotiable. The general partner has agreed in the past with respect to certain related persons, and may in the future agree with respect to certain limited partners, to a waiver or variation of the performance allocation in its sole discretion. Lower fees for comparable services may be available from other sources.

#### Jeereddi I, LP and Jeereddi II, LP – Expenses

Each client bears all costs and expenses directly related to its investment program, including expenses related to researching and executing investment transactions and positions for the client's account (including any research-related travel), proxies, underwriting and private placements, brokerage commissions, interest on debt balances or borrowings, custody fees and any withholding or transfer taxes imposed on the client. For additional information regarding brokerage costs, see "*Brokerage Practices*." Each client also bears all out-of-pocket costs of its administration, including organizational expenses (if applicable), accounting, audit and legal expenses, costs of any litigation or investigation involving the client's activities, and costs associated with reporting and providing information to existing and prospective limited partners. Any mutual expenses incurred by the clients will be shared *pro rata* between the clients.

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

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

The general partner of the clients (our affiliate) generally accepts a performance-based profit allocation as described in “*Fees and Compensation*” above. We do not currently have any clients that are not charged a performance-based fee. The performance-based profit allocation is only charged in accordance with Section 205(a)(1) of the Advisers Act, which permits performance-based fee arrangements with “qualified clients” as defined in Rule 205-3 adopted by the Securities and Exchange Commission pursuant to the Advisers Act.

## **7. Types of Clients**

We advise two pooled private investment limited partnerships. The clients have a minimum initial subscription of \$1,000,000, although investments of a lesser amount may be accepted at the discretion of the general partner.

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

We seek to achieve superior, risk-adjusted, total after-tax returns by purchasing investments that trade at a discount to intrinsic value and have a catalyst for realization of such value differential. The core principles of our philosophy are fundamental business valuation and the probabilistic interplay between purchase price and potential value realization.

We believe that disciplined investment processes serve to minimize risk and maximize reward. Our discipline is grounded in fundamental, bottom-up stock and bond selection and situation analysis. Each investment opportunity is evaluated based on its potential profit generation expected returns in excess of its “downside” scenario. In addition, we assess the context or situation that gives rise to the opportunity. Our purchase and sell discipline is organized around three important concepts.

- *Opportunity Identification* – We take a dynamic, contextual, value- and event-based approach to investment selection, focusing on maximizing the probability of acquiring attractive investment opportunities. We target investment areas which we believe offer a tangible informational or structural “edge.” These inefficient market segments lend themselves to frequent dislocations between price and value and are typically characterized by large information asymmetries, forced or uninformed sellers, analyzable complexity or uncertainty, the presence of business or industry change and/or general unwarranted misunderstanding paired up with quantifiable business value.
- *Business Valuation and Risk/Reward Assessment* – We believe business valuation analysis frames the probabilistic payoff structure of risk and reward. We first analyze the structure of an opportunity – industry, business and management quality. Secondly, depending on the investment, we may employ a range of methods to conservatively estimate value and its relationship to the offered price.
- *Monitoring and Reevaluation* – An important component to generating outstanding investment results is the monitoring and reevaluation of old investment theses. We test old investment convictions against new fact patterns. We believe that such a reevaluation

program serves to simultaneously dampen risk and enhance return – discovering mistakes early as well as unearthing new opportunities hidden in old ideas.

We attempt to provide substantial risk protection through our bottom up value selection model, as well as through employing a top down, portfolio level strategy as an additional risk management tool.

In addition, we selectively engage in the short selling of securities (either directly or the through the use of derivatives) and the use of market-based hedges (market indices and derivatives) to further reduce portfolio risk and, in many cases, generate independent profit opportunities.

We occasionally attempt to hedge currency exposure of the clients through the use of forward contracts and derivatives in order to isolate macroeconomic factors from company analysis, unless, in our opinion, the foreign currency represents an attractive investment opportunity.

Despite our models and methodologies, there is always the possibility that we may not correctly predict or evaluate the future performance of certain securities. Investing in any securities involves a risk of loss that any of our clients or any of the investors in our clients must be prepared to bear.

Certain risks associated with an investment in any client we advise include:

*Short Sales.* A short sale involves the sale of a security that the client does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the client must borrow the security, and the client is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the client. When the client makes a short sale in the United States, it must leave the proceeds thereof with the broker and must deposit with the broker an amount of cash or U.S. government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are affected on a Non-U.S. exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. In addition, a short sale involves the risk that borrowed securities will have to be returned to the lender at a time when such securities cannot be borrowed from other sources, potentially requiring the client to close a short sale transaction at an inopportune time or under disadvantageous circumstances. The client has no policy limiting the amount of its capital it may deposit to collateralize its obligation to replace borrowed securities sold short.

*Small and Medium Capitalization Companies.* We invest in equity securities of small-to-medium sized companies that we believe have the potential for capital appreciation significantly greater than that of the market averages. Such companies may have limited product lines, markets or financial resources, and may be dependent on a limited management group. Securities of small-to-medium sized companies may be traded in the over-the-counter (“OTC”) markets. While OTC markets have grown rapidly in recent years, many OTC securities trade less frequently and in smaller volumes than exchange-listed securities. The values of these securities

may fluctuate more sharply than exchange-listed securities, and we may experience some difficulty in acquiring or disposing of positions in these securities at prevailing market prices.

*Derivatives.* Derivative instruments, or “derivatives,” include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose our clients to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom a client contracts for the purpose of making derivative investments (the “Counterparty”). In the event of the Counterparty’s default, the clients will only rank as unsecured creditors and risk the loss of all or a portion of the amounts they are contractually entitled to receive.

*Put and Call Options.* We occasionally seek to increase current return by writing covered call and put options on securities. The clients receive a premium from writing a call or put option, which increases their return if the option expires unexercised or is closed out at a net profit. When we write a call option, it gives up the opportunity to profit from any increase in the price of a security above the exercise price of the option; when we write a put option, we take the risk that we will be required to purchase a security from the option holder at a price above the current market price of the security. We also buy and sell put and call options for hedging purposes. We also from time to time buy and sell combinations of put and call options on the same underlying security to earn additional income. Our use of these strategies may be limited by applicable law.

*Futures.* We may, to the extent permitted by applicable law, buy and sell futures contracts and related options. A futures contract is an agreement between two parties to buy and sell a specific quantity of a commodity (including a securities index or an interest-bearing security) for a set price at a future date. We may also buy and sell call and put options on futures or on securities indexes in addition to or as an alternative to purchasing or selling futures contracts, or, to the extent permitted by applicable law, to earn additional income. The use of futures and options involves certain special risks. Futures and options transactions involve costs and may result in losses. Certain risks arise because of the possibility of imperfect correlations between movements in the prices of futures and options and movements in the prices of the underlying securities, securities index, currencies or other commodities or of the securities or currencies in our clients’ portfolios which are the subject of the hedge (to the extent we utilize futures and options for hedging purposes). The successful use of futures and options further depends on our ability to forecast market or interest rate movements correctly. Other risks arise from our potential inability to close out the clients’ futures or options positions, and there can be no

assurance that a liquid secondary market will exist for any futures contract or option at a particular time. The use of futures and options for purposes other than hedging is regarded as speculative. Certain regulatory requirements may also limit our ability to engage in futures and options transactions.

*Swaps.* We may enter into swaps, caps, floors and collars on various securities, securities indexes, interest rates, prepayment rates, foreign currencies or other financial instruments or indexes, for both hedging and non-hedging purposes. Swaps typically involve an exchange of obligations by two parties. For example, interest rate swaps involve the exchange of respective rights to receive interest, such as an exchange of fixed rate payments for floating rate payments. Currency swaps involve the exchange of respective rights to make or receive payments in specified currencies. In an equity swap, the counterparty generally agrees to pay the clients the amount, if any, by which the notional amount of the equity swap contract would have increased in value had it been invested in the underlying stock or stocks plus the dividends that would have been received on those stocks. We agree, on behalf of the clients, to pay to the counterparty a floating rate of interest (typically based on the London InterBank Offered Rate) on the notional amount of the equity swap contract plus the amount, if any, by which that notional amount would have decreased in value had it been invested in such stock or stocks. Therefore, the return to the clients on any equity swap contract should be the gain or loss on the notional amount plus dividends on the underlying stocks less the interest paid by the clients on the notional amount less premium paid, if any. We may also from time to time enter into the opposite side of equity swap contracts, which are known as “reverse equity swaps.” Caps, floors and collars are variations on swaps. The purchase of a cap entitles the purchaser, to receive payments from the party selling the cap to the extent that a specified index exceeds a predetermined interest rate or amount. The purchase of an interest rate floor entitles the purchaser to receive payments from the party selling the floor to the extent that a specified index falls below a predetermined interest rate or amount. A collar is a combination of a cap and a floor that preserves a certain return within a predetermined range of interest rates or values. Caps, floors and collars are similar in many respects to over-the-counter options transactions, and may involve investment risks that are similar to those associated with options transactions and options on futures contracts.

Payments under a swap contract may be made at the conclusion of the contract or periodically during its term. If there is a default by the counterparty to a swap contract, we will be limited to contractual remedies pursuant to the agreements related to the transaction. There is no assurance that swap contract counterparties will be able to meet their obligations pursuant to swap contracts or that, in the event of default, the clients will succeed in pursuing contractual remedies. The clients thus assume the risk that they may be delayed in or prevented from obtaining payments owed to them pursuant to swap contracts. To address this risk, we will usually enter into swap contracts on a net basis, which means that the two payment streams (one from the client to the counterparty, one to the client from the counterparty) are netted out, with the clients receiving or paying, as the case may be, only the net amount of the two payments. Interest rate swaps do not involve the delivery of securities, other underlying assets, or principal. Accordingly, the risk of loss with respect to interest rate swaps entered into on a net basis would be limited to the net amount of the interest payments that the client is contractually obligated to make. If the other party to an interest rate swap defaults, the clients’ risk of loss consists of the net amount of interest payments that the clients are contractually entitled to receive. In contrast, currency swaps and other types of swaps may involve the delivery of the entire principal value of



one designated currency or financial instrument in exchange for the other designated currency or financial instrument. Therefore, the entire principal value of such swaps may be subject to the risk that the other party will default on its contractual delivery obligations. The clients will also be subject to counterparty risk in situations where the clients are required to collateralize their positions. For example, certain swaps and other transactions will require that the clients post margin with a counterparty. These situations involve some risk to the clients if the counterparty defaults on its obligations (or becomes insolvent or is otherwise unable to perform) and the clients are delayed in or prevented from recovering the collateral. In addition, because swap contracts are individually negotiated and ordinarily non-transferable, there also may be circumstances in which it would be impossible for the clients to close out their obligations under the swap contract. Under such circumstances, the clients might be able to negotiate another swap contract with a different counterparty to offset the risk associated with the first swap contract. Unless we are able to negotiate such an offsetting swap contract, however, the clients could be subject to continued adverse developments, even after we have determined that it would be prudent to close out or offset the first swap contract. The use of swaps involves investment techniques and risks different from and potentially greater than those associated with ordinary portfolio securities transactions. If we are incorrect in our expectations of market values, interest rates, or currency exchange rates, the investment performance of the clients would be less favorable than it would have been if this investment technique were not used. Certain swaps that we may use can also have the effect of creating leverage and thus can give rise to many of the same risks associated with borrowing funds or trading on margin. Because certain foreign markets may be closed for all practical purposes to U.S. investors, we may invest indirectly on behalf of the clients in such markets through swap transactions and would therefore be subject to the risks described above with respect to investments in foreign securities as well as being subject to the risk of relying upon the counterparty of the swap contract to fulfill its obligations.

*Debt Securities.* Debt securities in which we invest on behalf of the clients may or may not be rated by rating agencies such as Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Services ("S&P"), and, if rated, such rating may range from the very highest to the very lowest, currently C for Moody's and D for S&P. Securities rated below investment grade (below Baa if rated by Moody's and below BBB if rated by S&P) normally provide a yield or yield to maturity that is significantly higher than that of investment grade issues, but are predominately speculative with respect to capacity to pay interest and repay principal. The lower-rated categories include debt securities that are in default and debt securities of issuers that are insolvent. The rating assigned to a security by Moody's or S&P does not reflect an assessment of the volatility of the security's market value or the liquidity of an investment in the security. The values of lower-rated securities (including unrated securities of comparable quality) fluctuate more than those of higher-rated securities, although they may be less sensitive to interest rate changes. In addition, the lower rating reflects a greater possibility that the financial condition of the issuer, or adverse changes in general economic conditions, or both, or an unanticipated rise in interest rates, may impair the ability of the issuer to make payments of principal and income. The inability (or perceived inability) of issuers to make timely payment of interest and principal would likely make the values of securities held by the clients more volatile and could limit the clients' ability to sell their securities at prices approximating the values we had placed on such securities. In addition, the market price of lower-rated securities is likely to be more volatile because: (i) an economic downturn or increased interest rates may have a more significant effect on the yield, price and potential for default; (ii) the market may at times

become less liquid or respond to adverse publicity or investor perceptions, increasing the difficulty in disposing of the securities; and (iii) past legislation has limited (and future legislation may further limit) investment by certain institutions in lower-rated securities or the tax deductibility of the interest by the issuer, which may adversely affect the value of such securities. We will not necessarily dispose of a security when its rating is reduced below its rating at the time of purchase.

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

*Leverage.* Subject to applicable margin and other limitations, we borrow funds from time to time on behalf of the clients in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the clients' portfolios would be amplified. Interest on borrowings will be a portfolio expense for the clients and will affect the operating results of the clients. Also, we could potentially create leverage via the use of instruments such as options and other derivative instruments.

*Claims Against Companies.* We purchase claims on behalf of the clients against companies, including insolvent companies. These claims are typically unsecured and generally represent money due a creditor or a supplier of goods or services to such company. Such claims are subject to certain risks, such as the risk that the clients may not be paid by the debtor on a timely basis, if at all, or the risk that if the clients do receive payment, it may be in an amount less than what the clients paid for the claim.

*Special Situations.* We invest in the securities of companies involved in mergers, consolidations, liquidations and reorganizations or as to which there exist tender or exchange offers (collectively, "Reorganization Transactions"). Because the expected gain on an individual investment in a company involved in a Reorganization Transaction is normally smaller than the possible loss if the transaction is unexpectedly terminated, the clients' assets will not generally be invested unless the proposed transaction appears to us to have a substantial probability of success. The expected completion of each transaction is also extremely important since the length of time that the clients' assets may be invested in securities of a company involved in a Reorganization Transaction will affect the rate of return realized by the clients. We will not invest assets in a Reorganization Transaction unless we determine that the probability of a timely and successful completion of the transaction offsets any risks associated with possible delays in its successful completion. The majority of mergers and acquisitions are consummated in less than six months, while tender offers are normally completed in less than two months.

Liquidations and certain other types of corporate reorganizations usually require more than six months to complete. We invest the clients' assets in both negotiated, or "friendly," reorganizations and non-negotiated, or "hostile," takeover attempts. There can be no assurance that any Reorganization Transaction proposed at the time a client makes its investment will be consummated or will be consummated on the terms and within the time period contemplated.

*Turnover.* Although not typical for us, we occasionally invest on the basis of short-term market considerations. The portfolio turnover rate of these investments could be significant, potentially involving substantial brokerage commissions and fees. Neither our firm nor the principal will receive a portion of such commissions and fees.

*Cybersecurity Risk.* The information and technology systems of not only our firm but also our client's portfolio companies or third-party service providers may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although we have implemented, and portfolio companies and service providers have likely implemented, various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, our firm, our client, portfolio companies and/or service providers, as applicable, may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in our firm's, our client's, portfolio companies' and/or service providers' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors in our client (and, to the extent applicable, the beneficial owners of investors). These failures could harm our firm's, our client's, a portfolio company's and/or a service provider's reputation, subject any of these entities and their respective affiliates to legal claims and otherwise affect their business and financial performance.

The above investment strategies and the attendant risks are described in greater detail in the respective offering documents of our clients, which we encourage investors in our clients to read carefully.

## **9. Disciplinary Information**

We have had no disciplinary or legal events since our establishment in 2009.

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

We are the investment adviser to Jeereddi I, LP and Jeereddi II, LP. Jeereddi II, LP's sole investors are currently the principal, Naveen Jeereddi, some family members, and certain employees. The principal also has a significant interest in Jeereddi I, LP. To avoid any potential conflicts of interest, the clients generally trade *pari passu*.

In addition, we are affiliated with Jeereddi Partners, LLC, which serves as the general partner of the clients. The performance allocation paid to the general partner (our affiliate)

creates an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of such performance allocation. We address this potential conflict of interest by fully disclosing the relationship among the general partner, our firm and the clients in the clients' offering documents. Although Naveen Jeerreddi's control of the investment adviser and the general partner gives him heightened control and discretion over the clients, he manages any potential conflicts of interest by strictly adhering to the investment strategy and business philosophy discussed in the clients' private placement memoranda.

In addition, the general partner entered into the investment management arrangement with us on behalf of the clients. While this is an interested party agreement, the material terms of the investment management arrangement are fully disclosed to all investors in the clients prior to their investment.

Neither our firm nor the principal is registered as a broker-dealer or a representative of a broker-dealer, nor has an application pending to register as a broker-dealer or a registered representative of a broker-dealer. Neither our firm nor the principal is registered, or nor has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

Neither our firm, nor the principal nor any of our directors or officers has any material relationship with any of the following:

- broker dealer, municipal securities dealer, or government securities dealer or broker;
- other investment adviser or financial planner;
- futures commission merchant, commodity pool operator or commodity trading advisor;
- banking or thrift institution;
- accountant or accounting firm;
- lawyer or law firm;
- insurance company or agency;
- pension consultant;
- real estate broker or dealer; or
- sponsor or syndicator of limited partnerships.

We do not recommend or select other investment advisers for our clients.

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

Our firm has adopted a written Code of Ethics that is designed to address and avoid potential conflicts of interest. Our Code of Ethics reinforces that our firm has a fiduciary duty to our clients and that we and our employees must abide by all applicable laws and regulations at all times. It contains detailed rules concerning insider trading and personal securities

transactions. Employees must submit initial and annual holdings reports as well as quarterly transaction reports for directed brokerage accounts and IRAs for all personal, spousal and children's accounts. We will provide a copy of our Code of Ethics to any client or any investor in a client, or any prospective client or investor, that requests one.

Employees are not permitted to buy or sell individual securities (other than direct obligations of the United States government; bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements; shares issued by money market funds; shares issued by open-end mutual funds; and shares issued by unit investment trusts that are invested exclusively in one or more open-end mutual funds) for their own accounts. Our principal is permitted by our policies to buy and sell securities for his own account, but may not buy securities from or sell securities to the clients. This could create a conflict of interest if the principal were to receive more favorable execution prices than the clients. To mitigate such risk, the principal may purchase or sell such securities only after the clients' purchase or sale of such securities, as the case may be. Neither our firm nor the principal recommends to clients, or buys or sells for client accounts, securities in which it or a related person has a material financial interest.

Jeereddi II, LP's sole investors are the principal, Naveen Jeereddi, some family members, and certain employees. Jeereddi II, LP generally trades *pari passu* with Jeereddi I, LP, but does not engage in cross transactions with Jeereddi I, LP.

## **12. Brokerage Practices**

We are responsible for the placement of the portfolio transactions of the clients and the negotiation of any commissions paid on such transactions. Portfolio securities normally are purchased through brokers on securities exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio instruments through brokers involve a commission to the broker. Purchases of portfolio securities from dealers serving as market makers include the spread between the bid and the asked price.

Many of the clients' securities trades will be cleared through a prime broker selected by us pursuant to the terms of a clearing agreement with us. Securities transactions are executed by brokers selected by us in our sole discretion and without the consent of the clients. In placing portfolio transactions, we will seek to obtain the best execution for the clients, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of the order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our election criteria.

We do not utilize "soft dollar" commissions to purchase third-party research and other services. We occasionally do, however, consider a broker-dealer's proprietary research in selecting broker-dealers and determining the commission rates. In such instances, we could cause a client to pay a commission for effecting a transaction for the advisory clients in excess of

the amount another broker or dealer would have charged for effecting that transaction, where we determine in good faith that this commission is reasonable in relation to the value of the brokerage and/or research services the broker or dealer provides to us. We do not put a specific dollar value on the research or brokerage services of any broker or dealer or allocate the relative costs or benefits of research, because we believe that the research received is, in the aggregate, of assistance in fulfilling our overall responsibilities to our advisory clients.

The research services that broker-dealers might provide 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. Using client transactions to obtain research and other benefits creates incentives that theoretically could result in conflicts of interest between advisers and their clients. When we use client markups or markdowns to obtain research products and services, we receive a benefit because we do not have to produce or pay for the research products and services. The availability of these benefits creates the potential incentive for us to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the products and services instead of on our clients' interest in receiving the best execution prices. Obtaining these benefits could cause our clients to pay higher fees than those charged by other broker-dealers who do not provide such benefits.

We occasionally place transactions with a broker or dealer that (i) provides us with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the clients. Because such referrals, if any, are likely to benefit us and our clients, but will provide an insignificant (if any) benefit to investors, we will have a conflict of interest in allocating brokerage transactions to a broker who has referred investors to our clients. To prevent brokerage commissions from being used to pay investor referral fees, we will not allocate brokerage business to a referring broker unless we determine in good faith that the commissions payable to such broker are consistent with seeking best execution. The only broker-dealer with whom we have a capital introduction relationship is with our prime broker, UBS.

We do not recommend, request, require or permit that a client direct us to execute transactions through a specified broker-dealer.

When we determine that it would be appropriate for a client and one or more other investment accounts to participate in an investment opportunity, we seek to execute orders for all of the participating investment accounts on an equitable basis. If we have determined to invest at the same time for more than one of the investment accounts, we will generally place combined orders for all such accounts simultaneously, and if all such orders are not filled at the same price, we will generally average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, we will allocate the trade among the different accounts on a basis that we consider equitable.

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

Each client portfolio is reviewed daily. Naveen Jeerreddi, the principal and portfolio manager, will review each client portfolio in a manner consistent with the investment goals of the clients. At this time, there are two client portfolios to review.

We provide quarterly written reports to the clients' underlying investors with performance data for the relevant client. We also provide investors in our clients with written annual reports that contain audited financial statements and tax information.

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

Other than as described in Item 12, we and the principal do not, nor do any of our employees, receive any economic benefit from non-clients for providing advisory services to our clients; nor do we, the principal, nor any of our employees, compensate anyone for client referrals.

As described in Item 12, we do not utilize "soft dollar" commissions to purchase third-party research and other services. We do, however consider a broker-dealer's proprietary research in selecting broker-dealers and determining the commission rates.

As described in Item 12, we also occasionally place transactions with a broker or dealer that (i) provides us with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the clients. Because such referrals, if any, are likely to benefit us and our clients, but will provide an insignificant (if any) benefit to investors, we will have a conflict of interest in allocating brokerage transactions to a broker who has referred investors to our clients. To prevent brokerage commissions from being used to pay investor referral fees, we will not allocate brokerage business to a referring broker unless we determine in good faith that the commissions payable to such broker are consistent with seeking best execution. The only broker-dealer with whom we have a capital introduction relationship is with our prime broker, UBS.

#### **15. Custody**

While it is our practice not to accept or maintain physical possession of any client assets, we are deemed to have custody of client assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because we have the authority to deduct our fees from our clients' accounts.

In order to comply with Rule 206(4)-2, we utilize the services of a bank or qualified custodian (as defined under Rule 206(4)-2) to hold all of our clients' assets. In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit our clients at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with United States generally accepted accounting principles to all investors in our clients within 120 days after the end of the fiscal year. The clients' investors also receive monthly capital account statements sent directly from the outside fund administrator.

The clients' custodian sends monthly account statements to the clients. Clients should carefully review these statements and compare account statements they receive from the custodian with those they receive from us or the administrator.

## **16. Investment Discretion**

Our investment advisory contract contains language whereby the clients grant us broad discretionary power to manage their accounts. While the clients may not place limitations on this authority, we adhere to the investment strategy set forth in the clients' private placement memoranda. In addition, various securities or tax laws, as well as internal compliance policies, may impose additional restrictions on the investments that may be made.

## **17. Voting Client Securities**

We maintain authority to vote client securities. If we elect to submit a proxy vote, we will vote any such proxies in the manner that serves the best interests of the clients. We keep a record of all voted proxies. The clients (and their underlying investors) may obtain a copy of our proxy voting policies and procedures and a record of how we voted the clients' proxies upon request. The clients may not direct our vote in a particular solicitation. In the event of a conflict of interest between us and a client, we will vote in the best interests of the client.

## **18. Financial Information**

We have discretionary authority over client funds or securities. We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. We are not aware of any financial condition that is likely to impair our ability to meet contractual commitments to our clients. We have not been the subject of a bankruptcy petition at any time during the past ten years.