

Item 1. Cover Page

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This brochure provides information about the qualifications and business practices of Karamaan Group, LLC (the "Adviser"). If you have any questions about the contents of this brochure, please contact us at (212) 542-3300. This information has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Karamaan Group, LLC is an investment adviser registered with the SEC. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Karamaan Group, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Material Changes**

Since the last update to this brochure on March 24, 2014, the Adviser has made no material changes to the brochure.

### Item 3. Table of Contents

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

The Adviser, a Delaware limited liability company, is an investment adviser with its principal place of business in New York, NY. The Adviser commenced operations as an investment adviser in April 2008. Massy Ghausi and John Kim are the co-managing members and principal owners of the Adviser.

Karamaan Group GP, LLC ("general partner"), a limited liability company affiliated with Adviser which serves as the general partner of Karamaan Group Partners, LP, a Delaware limited partnership which is a client of the Adviser, is registering with the SEC by way of and in reliance upon the registration of the Adviser. The Adviser and the general partner, its relying adviser, are filing a single Form ADV based upon the SEC's expressed position in the No-Action Letter published on January 18, 2012 titled "American Bar Association, Business Law Section."

The Adviser provides investment advisory services on a discretionary basis to its clients, which include separately managed accounts and pooled investment vehicles intended for sophisticated investors and institutional investors.

The Adviser generally does not tailor advisory services to the individual needs of pooled investment vehicle clients or investors in pooled investment vehicles, although the Adviser may tailor advisory services for separately managed account clients. Generally, pooled investment vehicle clients or investors in pooled investment vehicles may not impose restrictions on investing in certain securities or certain types of securities, although the Adviser may consider restrictions requested by separately managed account clients.

As of February 28, 2015, the Adviser managed discretionary client regulatory assets of approximately \$125,049,499.

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

### **Pooled Investment Vehicles**

#### *Asset-Based Compensation*

With respect to its clients that are pooled investment vehicles, the Adviser is paid an asset-based investment management fee at an annual rate of 1.5% of the value of each investor's assets in the fund.

Investment management fees are charged each month in arrears based on the total value of each investor's assets in the client on the last business day of each calendar month. If a new client account is established during a month or a client makes an addition to its account during a month, the investment management fee will be prorated for the number of days remaining in the month. If a client's investment management agreement is terminated or a withdrawal is made from a client account during a month, the fee payable to the Adviser will be calculated based on the value of the assets on the termination date or withdrawal date and prorated for the number of days during the month in which the investment management arrangement was in effect or such amount was in the account.

These fees are generally not negotiable, however, the Adviser, in its sole discretion, may waive or modify the investment management fee for certain investors in the pooled investment vehicles who are members, employees or affiliates of the Adviser or the general partner to the pooled investment vehicle, if applicable, their relatives and for certain large or strategic investors. Such investors are subject to other investment expenses discussed below.

The Adviser deducts the investment management fee from client accounts by instructing the client's custodian. The Adviser deducts client accounts for investment management fees monthly, in arrears.

#### *Performance-Based Compensation*

The Adviser will also receive performance-based compensation, by way of an incentive allocation, which is equal to 20% of the net profits, if any, during the fiscal year, attributable to a client's assets, subject to a loss carryforward provision. This incentive allocation may be allocated to the Adviser or to a related person of the Adviser.

This incentive allocation is generally not negotiable; however, the Adviser, in its sole discretion, may waive or modify the incentive allocation for certain investors in the pooled investment vehicles who are members, employees or affiliates of the Adviser or the general partner to the pooled investment vehicle, if applicable, their relatives and for certain large or strategic investors. Such investors are subject to other investment expenses discussed below.

In addition to paying investment management fees and performance-based fees or allocations, all investors in pooled investment vehicles will also be subject to other investment expenses such as fund legal, compliance, audit and accounting expenses (including third party accounting services); organizational expenses; administrator fees and expenses; investment expenses such as commissions, research fees and expenses (including Bloomberg and similar subscriptions and data services and consulting services); interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; fund-related insurance costs (including D&O insurance costs); and any other expenses related to the purchase, sale or transmittal of fund assets. Client assets are invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. In addition, clients will incur brokerage and other transaction costs. Please refer to Item 12 of this brochure for a discussion of the Adviser's brokerage practices.

### **Separately Managed Accounts**

Two of the Adviser's separately managed accounts are charged an asset-based investment management fee that is payable quarterly, in arrears, and is calculated based on the value of the account as of the end of each calendar quarter. The Adviser does not deduct the investment management fee from the client's account. Rather, the Adviser bills the client. The investment management fee schedule is negotiable at the Adviser's discretion.

All the separately managed accounts are charged a performance-based fee based on the net profit of the account, if any. The terms of the performance based fee are negotiable at the Adviser's discretion.

The separately managed accounts are subject to investment expenses (in addition to investment management fees and performance-based fees) such as commissions, research fees and expenses (including Bloomberg and similar subscriptions and data services and consulting services); interest on margin accounts and other indebtedness; borrowing charges on securities sold short; and any other expenses related to the purchase, sale or transmittal of the accounts' assets.

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

The Adviser and its investment personnel provide investment advisory services to multiple portfolios for multiple clients. The Adviser receives performance-based compensation from its private pooled investment vehicle clients and its separately managed client accounts. In addition, certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When the Adviser and its investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. The Adviser and its investment personnel have a greater incentive to favor client accounts that pay the Adviser (and indirectly the portfolio manager) performance-based compensation and/or higher asset-based fees.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities in a manner that the Adviser determines is fair and equitable to all clients in accordance with each clients' investment objective and require that, to the extent orders are aggregated, the client orders are price-averaged.

**Item 7. Types of Clients**

The Adviser's clients consist of pooled investment vehicles and separately managed accounts.

With respect to any client that is a pooled investment vehicle, any initial and additional subscription minimums are disclosed in the offering memorandum for the pooled investment vehicle. The minimum investment in a separately managed account is negotiable.



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

### Methods of Analysis

The Adviser utilizes a variety of methods and strategies to make investment decisions. The methods of analysis include fundamental research, statistical and industrial organization theory as well as the use of quantitative tools.

### Investment Strategies

The Adviser generally employs the following value-oriented investment strategies:

- *Fundamental Value.* The Adviser attempts to invest in opportunities the Adviser believes are undervalued by the market.
- *Concentrated Portfolio.* The Adviser typically focuses its investments on a limited number of issuers and does not seek to diversify investments among types of securities, countries or industry sectors.
- *Buy and Hold.* The Adviser will typically buy securities and hold them for longer periods of time, regardless of short-term factors such as fluctuations in the market or volatility of the stock price.

The Adviser may engage in any investment strategy and make any investment that the Adviser considers appropriate subject to each client's agreement with the Adviser or the pooled investment vehicles' offering memorandums.

Investing in securities involves risk of loss that clients should be prepared to bear.

### Risks Relating to Investment Strategy and Methods of Analysis

**Nature of Investments.** The Adviser has broad discretion in making investments for its clients. Investments will primarily consist of U.S. domiciled long/short equity and equity-linked securities and other assets that may be affected, among other things, by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Adviser's clients and the value of its investments. In addition, the value of the client's portfolios may fluctuate as the general level of interest rates fluctuates.

**Lack of Diversification.** Client accounts will not be diversified among sectors, industries, geographic areas or types of securities. Further, client accounts will not necessarily be diversified among a wide range of issuers. Accordingly, client portfolios may be subject to more rapid change in value than would be the case if the Adviser was required to maintain a wider diversification among companies, industry groups, geographic areas or types of securities.

**Hedging.** There are no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

**Issuer-Specific Changes.** Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

**Relative Value Risk.** In the event that the perceived mispricings underlying the Adviser's relative value trading positions were to fail to converge toward, or were to diverge further from, the Adviser's expectations, client accounts may incur a loss.

**Short Selling Risk.** Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier. There can be no assurance that securities necessary to cover a short position will be available for purchase.

**Leverage.** The use of leverage exposes the Adviser's clients to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Adviser's clients not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Adviser's clients' cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the Adviser clients' assets, the Adviser might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses. Performance may be more volatile if a client's account employs leverage.

### **Risks Associated with Types of Securities that are Primarily Recommended**

**Equity Securities.** The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

**Equity-Related Instruments.** The Adviser may use equity-related instruments in its investment program. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

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

**Item 9. Disciplinary Information**

The Adviser has no applicable disciplinary information.

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

Massy Ghausi and John Kim are the managing members of the Adviser and the general partner. Mr. Kim is also a director of Karamaan Group Fund, Ltd. and Karamaan Group Master Fund, Ltd. The General Partner or Adviser may in the future manage partnerships or other pooled investment vehicles and accounts including, without limitation, investment vehicles for the benefit of employees, with investment objectives that are the same as, similar to or different from those of other clients of the Adviser. Additionally, the general partner or the Adviser (and their respective principals or affiliates) may serve as investment advisers or investment managers to other client accounts and conduct investment activities for their own accounts. Such other entities or accounts may have investment objectives or may implement investment strategies similar to those of client accounts. The investment advice given or action taken with respect to such other entities or accounts may also differ from the advice given with respect to another client account.

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

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its related persons to put the interests of the Adviser's clients before its own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser's personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Kevin McLaughlin (Chief Compliance Officer) by email at [kevin@karamaan.com](mailto:kevin@karamaan.com), or by telephone at (212) 542-3300. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

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

### **Investing in Securities Recommended to Clients**

The Adviser or its related persons invests in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a related person recommends to clients. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its related person are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Adviser's or its related person's objectivity, these practices by the Adviser or its related persons may also harm clients by adversely affecting the price at which the clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: The Adviser requires its related persons to preclear all transactions in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients or unduly benefit a related person. The Adviser's related persons are required to supply monthly broker statements to the Chief Compliance Officer. (In the event there is no trading activity, monthly statements may not be produced. In such circumstances, the related persons will supply quarterly statements.) Trading in employee accounts will be reviewed by the Chief Compliance Officer and compared with transactions for the client accounts.

### **Conflicts of Interest Created by Contemporaneous Trading**

The Adviser or a related person from time to time recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that the Adviser or related person buys or sells the same securities for its own account in accordance with the procedures described above in order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for the Adviser or its related person to the detriment of the client.

## Item 12. Brokerage Practices

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include the financial stability of the broker; the actual executed price of the security and the broker's commission rates; research (including economic forecasts; investment strategy advice; fundamental and technical advice on individual securities; valuation advice and market analysis); the size and type of transaction; the difficulty of execution and the ability to handle different trades and the operational facilities of the brokers and/or dealers involved (including back office efficiency). In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice in all instances to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Chief Compliance Officer and traders meet periodically to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

The Adviser does not have any formal "soft dollar" arrangements in place where a broker-dealer makes direct payments to third party vendors for research or services received by the Adviser.

From time to time the Adviser may participate in capital introduction programs arranged by broker-dealers, including the firm that serves as the prime broker to the private funds managed by the Adviser or refer these private funds as a potential investment to clients. The Adviser may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

The Adviser often purchases or sells the same security for many clients contemporaneously and using the same executing broker. It is the Adviser's practice, where possible, to aggregate client orders for the purchase or sale of the same security submitted contemporaneously for execution using the same executing broker. The Adviser will also aggregate in the same transaction, the same securities for accounts where the Adviser has brokerage discretion. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. When an aggregated order is completely or partially filled, the Adviser generally allocates the securities between client accounts in a manner that the Adviser determines is fair and equitable to all clients in accordance with each clients' investment objective. When determining the allocation amongst clients, Karamaan will consider the need to rebalance/resize investments within client portfolios, client investment restrictions and other legal, regulatory, tax, accounting, business or practical reasons. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice.

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

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

Each client that is a separately managed account receives a monthly account valuation statement from the Adviser and/or has access to daily and monthly account balances provided by the accounts' custodian.

A client's investors receive reports from the client pursuant to the terms of each client's offering memoranda or as otherwise described in the offering document of the client.

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

The Adviser has an agreement to make cash payments to a third-party solicitor for client referrals, provided that, to the extent required, the solicitor has entered into a written agreement with the Adviser pursuant to which the solicitor will provide each prospective client with a copy of the Adviser's Form ADV Part 2, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and Adviser and any fees to be paid to the solicitor. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.



**Item 15. Custody**

The Adviser does not have custody of the separately managed accounts' funds or securities.

The Adviser has custody of the funds' cash and securities through the ability to access and control these assets and withdraw them from accounts at qualified custodians. The Adviser satisfies its custody obligations by ensuring that all funds are audited by an independent public accounting firm and that investors in the private funds receive the audited financial statements within the required time frame.

## Item 16. Investment Discretion

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

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

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. When determining the allocation amongst clients, Karamaan will consider the need to rebalance/resize investments within client portfolios, client investment restrictions and other legal, regulatory, tax, accounting, business or practical reasons. These factors may lead the Adviser to allocate securities to client accounts in varying amounts. In the event of a special, non-pro forma, trade allocation between clients that are managed on a pari passu basis, the Compliance Officer will approve such allocation and document the rationale for the special allocation. Even client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities.

The Adviser does not generally execute cross transactions but may execute such transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades or trades for which the Adviser or its affiliates are compensated as a broker unless client consent has been obtained based upon written disclosure to the client of the capacity in which the Adviser or its affiliates will act. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA.

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

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

Generally, the Adviser's clients are not permitted to direct their votes in a particular solicitation.

If a material conflict of interest between the Adviser and a client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the client or take some other appropriate action. The Adviser does not make any qualitative judgment regarding its client's investments.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting Kevin McLaughlin (Chief Compliance Officer) by email at [kevin@karamaan.com](mailto:kevin@karamaan.com) or by telephone at (212) 542-3300.

**Item 18. Financial Information**

The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

**Item 19. Requirements for State-Registered Advisers**

The Item is not applicable.