

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

**Item 1      Cover Page**

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This Brochure provides information about the qualifications and business practices of Stabilis Capital Management, LP (“**Stabilis**”, the “**Adviser**” or “**we**”). If you have any questions about the contents of this Brochure, please contact us at by telephone at (212) 256-8970 or by email at *josephtuso@stabiliscap.com*. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

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

Registration of an investment adviser with the SEC or with any state securities authority does not imply any level of skill or training.

**Item 2            Material Changes**

This Part 2A constitutes the Adviser's initial filing.

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#### Item 4            Advisory Business

##### **A.        General Description of Advisory Firm**

Stabilis Capital Management, LP (the “**Adviser**”), a limited partnership formed under the laws of the State of Delaware, was formed on July 16, 2010. The Adviser’s principal place of business is in New York, New York. The Adviser is currently majority-owned by Stabilis Capital Management I, Inc., which in turn is wholly-owned by Salman A. Akbar Khan, who is a principal executive officer and management person of the Adviser. The Adviser is also minority-owned by TRB Advisors, LP.

##### **B.        Description of Advisory Services (including any specializations)**

The Adviser currently provides investment supervisory services on a discretionary basis primarily to private investment funds (the “**Funds**”) that are currently offered to investors. The Funds currently consist of Stabilis Fund I, LP, a Delaware limited partnership (“**Fund I**”); Stabilis Fund II, LP, a Delaware limited partnership (“**Fund II**”); Stabilis Fund II – Offshore, Ltd., a Cayman Islands exempted company (“**Offshore Fund**” and together with Fund II, the “**Feeder Funds**”) and Stabilis Fund II, LLC, a Delaware limited liability company (the “**Master Fund**” and together with Fund I and the Feeder Funds, the “**Funds**” and together with any other advisory clients of the Adviser, “**clients**”).

The Funds mainly invest in commercial real estate loans, principally acquired from banks and other financial institutions, the majority of which are and will continue be secured by hard assets including, but not limited to, commercial real estate (collectively, the “**Portfolio Investments**”). Notwithstanding the foregoing, each Feeder Fund invests substantially all of its assets in the Master Fund pursuant to a master-feeder structure.

The Adviser will have discretionary authority to make the following determinations without obtaining the consent of clients before the transactions are effected:

- identifying, structuring and managing the Portfolio Investments;
- the securities that are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the brokers or intermediaries through which Portfolio Investments or other securities are to be bought or sold; and
- the commission rates (or other form of compensation) paid to brokers or intermediaries brokers or intermediaries for effecting Portfolio Investment and/or securities transactions for client accounts.

##### **C.        Availability of Tailored Services for Individual Clients**

This Item is not applicable.

##### **D.        Wrap Fee Programs**

The Adviser does not currently participate in any wrap fee programs.

##### **E.        Client Assets Under Management**

As of February 14, 2012, the Adviser has \$234,600,000.00 million client assets under management, all of which are managed on a discretionary basis.

## Item 5 Fees and Compensation

### A. Advisory Fees and Compensation

The Adviser receives a management fee from each client for its services (each, a “**Management Fee**”). The Management Fee is generally paid quarterly in advance or at such other frequency as agreed to between the Adviser and the relevant client (each, a “**Fee Period**”). To the extent that any installment of the Management Fee is payable to the Adviser for any period other than a full Fee Period, then such installment shall be prorated based on the number of days in such Fee Period.

In addition to the Management Fee, the Adviser (or its affiliate) receives a carried interest allocation (the “**Carried Interest**”) entitling it to a prescribed portion of a client’s profits.

The agreements governing the Funds, such as the confidential private placement memorandum, the limited partnership agreement (or the relevant constituent document) and the investment advisory agreement (collectively, the “**Offering Documents**”), which were provided to Fund investors prior to their commitment or investment in the Funds, contain detailed information about the Management Fee and the Carried Interest.

The Adviser’s fee schedule is omitted because this Brochure is only being delivered to “qualified purchasers”, as such term is defined in the Investment Company Act of 1940, as amended (the “**Investment Company Act**”).

### B. Payment of Fees

The Adviser will directly deduct the Management Fee in advance from client accounts with respect to the relevant Fee Period by instructing the client’s custodian.

### C. Other Fees and Expenses

In addition to paying Management Fees and, if applicable, the Carried Interest or other compensation, client accounts will or may also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; indemnification expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other Portfolio Investment or securities-related expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the client’s account invests) associated with products or services that may be necessary or incidental to such investments or accounts including, but not limited to, auditors, accountants, legal advisor and administrators. Client assets may be invested in one or more pooled investment vehicles; as such, the client will bear its *pro rata* share of the investment management fee and other fees and/or expenses of such vehicles, which are in addition to the Management Fee paid to the Adviser.

Please refer to Item 12 in this Brochure for a discussion of Stabilis’ brokerage practices, including factors that we consider when selecting brokers and dealers for client transactions.

### D. Prepayment of Fees

Clients will be required to pay Management Fees to the Adviser in advance with respect to each Fee Period.

**E. Additional Compensation and Conflicts of Interest**

This Item is not applicable.

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

As noted in Item 5 above, the Adviser (or its affiliate) may receive a Carried Interest entitling the Adviser to a portion of a client's profits. The Adviser and its investment personnel will provide investment management services to multiple portfolios for multiple clients. When the Adviser and its investment personnel manage more than one client account, a potential exists for one client account to be favored over another client account as there may be differences in the structure of the Carried Interest. Differences in the Carried Interest structure could create potential conflicts in that the Adviser and its investment personnel could have a greater incentive to favor a client that provides the Adviser with the most favorable Carried Interest structure versus other clients that provide the Adviser with an inferior or no Carried Interest structure.

Investment personnel may also have conflicts in allocating their time and services among multiple clients. Further, it is possible that the various client accounts managed could have different investment strategies that, at times, might conflict with one another to the possible detriment of a client's account. One account may seek to participate in a transaction in which another account may have made (or may seek to make) an investment. The two accounts may have conflicting interests and objectives in connection with the transactions, including how they view the operations or activities of the portfolio or issuer, the targeted returns from the transaction, and the timeframe for, and method of, exiting the transaction.

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 *pro rata* based on asset size and require that, to the extent orders are aggregated, the client orders are price-averaged. Finally, the Adviser's procedures also require the objective allocation for limited opportunities to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer. Further, the Adviser and its investment personnel endeavor to devote such time to each client as they deem appropriate under the circumstances to perform their duties and obligations to each such client in accordance with applicable law and the Adviser's written agreement with each such client.



**Item 7            Types of Clients**

The Adviser currently provides investment advice to private investment funds such as the Funds. Investors in the Funds are typically high net-worth individuals, other pooled investment vehicles, pension and profit-sharing plans, trusts, estates or charitable organizations, and other corporations or business and/or entities. Fund I and Fund II limit investors to persons who are both “qualified purchasers” as defined in the Investment Company Act, and “accredited investors” as defined in the Securities Act of 1933, as amended. Investors in the Offshore Fund must either be non-U.S. persons or, if U.S. persons, be both “qualified purchasers” and “accredited investors”.

An investment in a Fund can be subject to a prescribed minimum investment amount unless otherwise waived. Such minimum amount is disclosed in the Offering Documents for the particular Fund.

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

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations to its clients. The Adviser will combine multiple indicators that historically have been shown to add value in its investment decisions. The Adviser can objectively assess the weight of the evidence and make strategic decisions about its investment mix.

The Adviser intends to mainly invest in commercial real estate loans, principally acquired from banks and other financial institutions, the majority of which are and will continue to be secured by hard assets including, but not limited to, commercial real estate. It expects to target loans that offer an opportunity to achieve attractive returns over a relatively short investment period.

The Adviser anticipates that the Funds will typically invest in commercial loans ranging in investment amounts from \$1 million to \$15 million in face amount. In substantially all cases, the Funds will hold a first mortgage position in the event of a borrower's default on these loans.

The addressable market for off-the-run whole loans is large and diverse. By utilizing a team of professionals with decades of experience sourcing, analyzing and managing these investments, the Adviser conducts extensive collateral evaluation and due diligence. The Adviser devotes extensive time and resources to determine the value of the collateral underlying the loans prior to purchase.

The Adviser will seek to diversify the Funds' portfolio by targeting investments across various geographic regions. The Adviser will also review investment opportunities across a broad range of property types to further diversify the portfolio and to maximize the opportunity set of loans available in the market.

**B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies**

Very generally, investing in securities and other investment assets involve risk of loss of the principal amount invested. Clients and investors in the Funds should be prepared to bear any risk of loss. Investing in Portfolio Investments may raise unique investment risks, as summarized below. The risk summary contained herein is intended solely as a summary and is not an exhaustive list of risk. Risks associated with each Fund are described in the relevant Offering Documents. Those documents also disclose potential risks for each Fund in greater and more particularized detail than the summary set forth below.

- In evaluating potential Portfolio Investments, the Adviser will, in the course of conducting due diligence, evaluate the strength of the relevant borrowers' assets. The success of a Fund's investment strategy will depend in part on the relative accuracy of such evaluations. Because information obtained and evaluated during the diligence process may be incomplete or inaccurate, and because asset valuation involves a high degree of uncertainty, there can be no assurance that a Fund will be able to accurately make such evaluations in all cases.
- In some cases, the success of a Fund's investment strategy will depend, in part, on the success of the Adviser's efforts to assess a potential Portfolio Investment's sensitivity and susceptibility to market disruptions and other extraordinary events. The activity of identifying and making such assessments entails a high degree of uncertainty and, therefore, there can be no assurance the Adviser will be able to successfully do so in all cases.

- Certain Portfolio Investments may take several years from the date of the initial investment to reach a state of maturity when realization of the Portfolio Investment can be achieved. It is anticipated that there will not be a public market for some or all of the Portfolio Investments held by a Fund at the time of their acquisition. A Fund may generally not be able to sell such Portfolio Investments publicly.

**C. Risks Associated with Types of Securities that are Primarily Recommended (Including Significant or Unusual Risks)**

- A concern in originating and purchasing the Portfolio Investments is the possibility of material misrepresentation or omission on the part of the issuers of such Portfolio Investments. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the Portfolio Investments, or may adversely affect the likelihood that a lien on the collateral securing the Portfolio Investments has been properly created or perfected. The Adviser will rely upon the accuracy and completeness of representations made by borrowers and sellers of the Portfolio Investments, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Fund may be reclaimed if any such payment or distribution is later determined to have been made with an intent to defraud or prefer creditors.
- A Fund will be exposed to losses resulting from borrower default. Therefore, the value of the underlying collateral, the priority of the lien and other material considerations are of great importance. The Adviser cannot guarantee the adequacy of the protection of a Fund's interests, including the validity or enforceability of the applicable loan purchase contract and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, the Adviser cannot assure that claims may not be asserted that might interfere with enforcement of a Fund's rights.
- It is possible that a Fund may find it necessary or desirable to foreclose on certain loans. The foreclosure process is often lengthy and expensive. Borrowers may resist mortgage foreclosure actions by asserting numerous claims, counterclaims and defenses against a Fund, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action and force the lender into a modification of the loan or a favorable buy-out of the borrower's position. In some states, foreclosure actions can sometimes take several years or more to litigate. At any time prior to or during the foreclosure proceedings the borrower may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the mortgaged property and may result in disrupting the ongoing leasing, management and operation of the property, and may negatively affect the sales price of the property.
- A Fund's investments will be subject to the risks inherent in the ownership of real property to the extent that real property will typically be underlying collateral for such Fund's loan investments. These risks include, but are not limited to, typical expenses incurred in connection with the ownership of real property; general and local economic conditions; the supply and demand for properties; fluctuations in the average occupancy and rental rates; the financial resources of tenants; changes in building, environmental, and other laws; changes in real property tax rates; changes in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable; negative developments in the economy that depress travel activity; environmental liabilities; uninsured casualties; the quality and philosophy of management; competition based on rental rates; quality of maintenance; changes in operating costs; the exercise of the right of eminent domain by governmental entities; terrorism; acts of God

and other factors beyond the control of the Adviser.

- Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate (which may include a lender such as a Fund in some instances) may be required to investigate and clean up any hazardous or toxic substances or petroleum product releases and may be liable for the costs in connection with such contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner knew of, or was responsible for, the presence of the contaminants, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. The cost of investigation, remediation or removal of such substances may be substantial, and the owner's liability as to any property is generally not limited to the value of the property and/or the aggregate assets of the owner. Furthermore, the presence of such substances on such property may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral.
- It is anticipated that certain debt instruments purchased by the Adviser for a Fund will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the loans. By their nature, these investments will involve a high degree of risk. Portfolio Investments in workout and/or restructuring modes or under the United States Bankruptcy Code are subject to additional potential liabilities, which may exceed the value of the Partnership's original investment.
- The Adviser primarily invests in debt obligations. Various laws enacted for the protection of creditors may apply to any indebtedness in which a Fund invests. There may be instances where borrowers of loans in which a Fund invests seek protection under bankruptcy law. Insolvency considerations may differ with respect to other borrowers. Additionally, many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of a Fund, including, for example, finding that a borrower did not receive fair consideration for incurring indebtedness, in such a case the court could determine to invalidate the debt, subordinate the indebtedness to the claims of other creditors or recover amounts paid in satisfaction of the debt.

**Item 9            Disciplinary Information**

This Item is not applicable.

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

**A.        Broker-Dealer Registration Status**

This Item is not applicable.

**B.        Commodities-Related Registration Status**

This Item is not applicable.

**C.        Material Relationships or Arrangements with Industry Participants**

Each of the Funds has or may in the future enter into agreements, or “side letters,” with certain prospective or existing limited partners or shareholders whereby such limited partners or shareholders may be subject to terms and conditions that are more advantageous than those set forth in the relevant Offering Documents. For example, such terms and conditions may provide for special rights to make investments in a Fund, other investment vehicles or managed accounts; additional or different rights with respect to Management Fees payable to the Adviser and/or the Carried Interest allocable to the Adviser (or its affiliate); special rights relating to frequency or notice; rights to receive reports from a Fund on a more frequent basis or that include information not provided to other limited partners or shareholders (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by a Fund and such limited partners or shareholders. The modifications are solely at the discretion of the relevant Fund and may, among other things, be based on the size of the limited partner’s or shareholder’s investment in such Fund or fund or affiliated investment entity.

**D.        Material Conflicts of Interest Relating to Other Investment Advisers**

This Item is not applicable.

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

**A.            Code of Ethics**

The Adviser has adopted a Code of Ethics (the “**Code**”) that obligates the Adviser and its related persons to put the interests of the Adviser’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser’s personnel will be required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting the Adviser’s Chief Compliance Officer by telephone at (212) 256-8970 or by email at josephthuso@stabiliscap.com. See below for further provisions of the Code as they relate to the pre-clearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities (*e.g.*, board or credit committee service), 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 will enforce 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 Portfolio Investment or 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.

**B.            Client Transactions in Securities where Adviser has a Material Financial Interest**

This Item is not applicable.

**C.            Investing in Securities Recommended to Clients**

The Adviser, its Employees (as defined below) and/or the Employees’ relatives may invest in the same Portfolio Investments or securities that the Adviser recommends to clients. However, their participation in such Portfolio Investments or securities generally takes the form of an investment in the relevant Fund that also invests in such Portfolio Investments or securities.

The Adviser recognizes that the personal investment transactions of members and employees of the Adviser demands the application of a high code of ethics and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, the Adviser believes that if investment goals are similar for clients and for Employees, it is logical that there be a common ownership of some Portfolio Investment or securities. However, it is the express policy of the Adviser that no Employee may purchase or sell any Portfolio Investment or security prior to a transaction being implemented for a client account, thereby preventing such Employee from benefiting from transactions placed on behalf of the Adviser’s advisory clients. In order to address potential conflicts of interest, the Adviser will adopt a set of procedures with respect to transactions effected by its partners, officers and employees (hereafter, “**Employees**”) for their “personal accounts.” In order to monitor compliance with

its personal trading policy, the Adviser will implement a quarterly securities transaction reporting system for all of its Employees. (For purposes of the policy, an Employee's "personal account" generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or (c) which the Employee controls, including the Adviser's client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.) The procedures adopted by the Adviser include the following, among other things:

1. Employees may not buy or sell Portfolio Investments or securities for their personal portfolio(s) where his or her decision is substantially derived, in whole or in part, by reason of his or her employment at the Adviser, unless the information is also available to the investing public on reasonable inquiry. No Employee shall prefer his or her own interest to that of clients.
2. The Adviser requires that all Employees must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
3. Any Employee not in observance of any of the above may be subject to termination.

**D. Conflicts of Interest Created by Contemporaneous Trading**

This Item is not applicable.



## **Item 12            Brokerage Practices**

### **A.        Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

To the extent the Adviser uses broker-dealers or other intermediaries to effect Portfolio Investments or securities transactions for client accounts, the Adviser will consider a number of factors in selecting such broker-dealers or intermediaries and determining the reasonableness of the broker-dealers' or intermediaries' compensation. Such factors may include net price, reputation, financial strength and stability, efficiency of execution and error resolution. In selecting a broker-dealer or an intermediary 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.

#### **1.        Research and Other Soft Dollar Benefits**

The Adviser does not currently receive research or other products or services from a broker-dealer and/or a third-party in connection with client securities transactions nor does it participate in any soft dollar arrangements.

#### **2.        Brokerage for Client Referrals**

The Adviser currently does not consider whether the Adviser or a related person receives client referrals from a broker-dealer or third-party in selecting or recommending broker-dealers or intermediaries to effect Portfolio Investments or securities transactions for client accounts.

### **B.        Order Aggregation**

This Item is not applicable.

## **Item 13            Review of Accounts**

### **A.            Frequency and Nature of Review**

Salman A. Akbar Khan, Managing Member of the General Partner of the Adviser, will review Portfolio Investments and other securities in client accounts on a periodic basis, typically weekly but no less frequently than monthly. More frequent reviews of client accounts may be triggered by changes in variables such as market, political, or economic circumstances, or a change in the clients' individual circumstances.

### **B.            Factors Prompting a Non-Periodic Review of Accounts**

Significant market events affecting the prices of one or more Portfolio Investments or securities in client accounts, among other things, may trigger reviews of client accounts on other than a periodic basis.

### **C.            Content and Frequency of Regular Account Report**

Each Fund investor will receive unaudited monthly statements and an annual audited financial report, which typically includes financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) from the Adviser. The reports include a Statement of Financial Condition, Statement of Operations, Statement of Changes in Partners' Capital and Statement of Cash Flows. Such reports may be delivered electronically to such investors in accordance with the investors' agreement with the relevant Fund.

**Item 14            Client Referrals and Other Compensation**

**A.            Economic Benefits Received from Non-Clients for Providing Services to Clients**

This Adviser currently does not receive any economic benefits from non-clients for providing services to clients.

**B.            Compensation to Non-Supervised Persons for Client Referrals**

The Adviser does not compensate any third-party for client referrals directly to it for advisory services and does not receive any economic benefit from a third-party for providing investment advice or other services to its clients. Thus, it has no cash solicitation arrangements subject to the SEC's cash solicitation rule of Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

**Item 15            Custody**

The Adviser is deemed to have custody of client assets with respect to each Fund because of the Adviser's affiliation with the general partner, managing member and directors of such Funds, all of which are deemed to have custody of the assets of the relevant Funds pursuant to Rule 206(4)-2 under the Advisers Act. In that event, the Adviser will comply with the relevant requirements imposed by Rule 206(4)-2 on investment advisers that have custody of client assets.

**Item 16            Investment Discretion**

The Adviser will provide investment advisory services on a discretionary basis to the Funds. Any limitations with respect to such investment discretion are set forth in the Offering Documents and the applicable investment management agreement.

Unless otherwise instructed or directed by a discretionary client, the Adviser will have 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, any written investment guidelines or the Offering Documents, as the case may be) and (ii) the amount of Portfolio Investments or securities to be purchased or sold for the client account. Because there may be differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and Portfolio Investments or securities held.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that clients are treated fairly and, endeavor to correct such errors. The Adviser will have discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. Trade errors that are a result of a breach of a standard of care other than gross negligence, criminal or willful misconduct are borne by the client account.

**Item 17          Voting Client Securities**

To the extent that the Adviser accepts proxy voting authority on behalf of its clients, the Adviser will vote such proxies in accordance with its proxy voting policy.

**Item 18      Financial Information**

This Item is not applicable.

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

This Item is not applicable.