

# TWO OCEAN

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## C A P I T A L

### **TWO OCEAN CAPITAL LP**

Part 2A of Form ADV: The Brochure

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This brochure provides information about the qualifications and business practices of Two Ocean Capital LP (“Two Ocean” or the “Company”). If you have any questions about the contents of this brochure, please contact Craig Skaling, Chief Compliance Officer (“CCO”), at [craig@twoocean.com](mailto:craig@twoocean.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. Registration as an adviser does not imply any level of skill or training.

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

## **2. Material Changes**

This is the first brochure compiled by Two Ocean to provide new and prospective clients and/or investors with disclosure of the Company's business practices and conflicts of interest. We encourage all recipients to read this brochure carefully in its entirety.

In the future, this section will identify and discuss material changes to our business since the last update to this brochure to make clients and investors aware of information that has changed and that may be important to them.

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## 4. Advisory Business

Two Ocean is a limited partnership formed in California in April 2013. The Company's principal owners are Joel P. Revill, Portfolio Manager, and Mitchell P. McCullough, President and Chief Operating Officer.

Two Ocean provides discretionary investment advisory services to unregistered, private pooled investment vehicles (individually a "Fund" and collectively the "Funds") with a focus on generating positive absolute returns, primarily through long and short investments in publicly traded securities. Two Ocean's investment advice is limited to these types of investments. Please refer to the **Methods of Analysis, Investment Strategies, and Risk of Loss** section below for further information regarding Two Ocean's investment objectives and investment strategies.

Two Ocean provides advice to the Funds based on the investment objectives and strategies described in each Fund's offering memorandum, organizational agreements, and/or investment management agreement. Investment advice is not provided to individual investors in the Funds (individually an "Investor" and collectively "Investors").

Investors should carefully review relevant offering memoranda, organizational agreements, subscription documents, and investment management agreements (if any) (collectively, "Governing Documents") before making an investment in a Fund, as the terms set forth therein will govern the Funds. Investment restrictions, if any, are contained in the Funds' Governing Documents. Investors may not impose restrictions on investing in securities or types of securities.

Currently, the Company provides investment advice to private funds in a master-feeder arrangement, including an offshore master fund, an offshore feeder fund, and an onshore feeder fund. The feeder funds invest all, or substantially all, of their assets in the single, master fund.

As of April 30, 2015, Two Ocean managed approximately \$169,500,584 in assets on a discretionary basis.

## 5. Fees and Compensation

The fees paid by the master fund include a management fee and an incentive fee. Fees are directly debited from the master fund's accounts, based on each Investor's "NAV account" or "Sub-NAV account" (as described in the Funds' Governing Documents). A complete description of fees charged by Two Ocean is set forth in the Funds' Governing Documents.

### *Management Fees*

Two Ocean generally charges an annual management fee that ranges between 1.0% and 1.5%, depending on the type of equity interest owned by a particular Investor and the aggregate net asset value of the Funds. The management fee is billed quarterly in advance. In the event of a Fund termination, Two Ocean will refund any management fees for which services have not been rendered. Generally, an Investor may withdraw capital as of the end of a quarter, with at least 45 days' prior written notice. Two Ocean may waive or reduce withdrawal requirements in

its sole discretion. Management fees are generally not negotiable, although Two Ocean may waive or reduce at its discretion the management fee for certain Investors, including Investors who are employees or affiliates of the Company.

### ***Incentive Allocation***

Two Ocean or an affiliate is entitled to receive an annual incentive allocation, subject to a loss carry forward provision. The incentive allocation will generally range between 15% and 20% per annum of the appreciation in an Investors' NAV account or Sub-NAV account for the relevant period, which will reflect the effects of management fees and other expenses. Two Ocean may waive or reduce at its discretion the incentive allocation for certain Investors, including for Investors who are employees or affiliates of the Company.

### ***Organizational Expenses***

The feeder funds have borne or will bear all costs associated with their organization, as well as their share of the costs of organizing the master fund. Such costs include government formation charges and professional fees and expenses in connection with preparing each Fund's Governing Documents and regulatory filings.

### ***Ongoing Expenses***

The feeder funds will bear all operating costs, including their proportional share of the master fund's operating costs. These include, but are not limited to: (a) brokerage commissions and other transaction-related costs, including interest and borrowing charges on securities sold short; (b) custodial and bank service fees; (c) auditing, accounting, third-party-administration, bookkeeping, tax preparation and reporting, legal, and other professional fees and costs; (d) costs of the Funds' registration and filings with governmental organizations; (e) applicable taxes; (f) costs of reporting to Investors and of Fund meetings and other governance activities; and (g) costs directly related to research about investments and potential investments, including costs of third-party investigative and analytical services.

The feeder funds will also bear all costs incurred in connection with the ongoing offer and sale of interests, including costs of preparing, reproducing, and disseminating offering materials and supplemental materials, legal fees and costs related to those activities.

In addition, the Funds will be responsible for their share of the investment advisory fees and operating expenses of third-party mutual funds, exchange-traded funds, or other pooled investment vehicles in which the master fund invests (if the master fund invests in any of these vehicles).

If more than one Fund is responsible for a particular expense, Two Ocean will seek to allocate the expense among the relevant Funds in a fair manner. Similarly, if Two Ocean and the Funds are responsible for a particular expense, Two Ocean will seek to allocate the cost between the Funds and Two Ocean in a fair manner.

Brokerage and other transaction costs that the Funds will incur are described further below in the **Brokerage Practices** section.

**A complete description of fees and expenses is outlined in each Fund’s Governing Documents. Investors should review the applicable Governing Documents in order to fully understand the total amount of fees and expenses to be paid by the Funds.**

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

As described in the **Fees and Compensation** section above, the master fund pays an incentive allocation. The incentive allocation may be paid to Two Ocean or an affiliate and is calculated at the master fund level separately for each Investor, based on the realized and unrealized appreciation in an Investor’s NAV account or Sub-NAV account. Currently, all investments are made at the master fund level and the master fund is the only “client” charged a performance fee. Performance fees charged by Two Ocean to the master fund, and indirectly to Investors, will be in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (“Advisers Act”).

The fact that Two Ocean is compensated based on the success of investments held by the Funds may create an incentive for Two Ocean to make investments that are riskier or more speculative than would be the case in the absence of such compensation.

## **7. Types of Clients**

Two Ocean provides investment advisory services to the Funds, which are unregistered private pooled investment vehicles. The Funds rely on rules under the United States federal securities laws that exempt privately offered funds from registering as investment companies. Two Ocean anticipates that the Funds will have various types of Investors, including high net worth individuals, other private pooled investment vehicles, corporations, and pension and profit sharing plans.

The minimum initial subscription in a feeder fund is \$1 million and the minimum additional subscription is \$500,000. Two Ocean may waive or reduce investment minimums for certain Investors at its discretion, including for Investors who are employees or affiliates of the Company.

At the time of this filing, Two Ocean has not entered into any Side Letters with Investors. However, Two Ocean may enter into agreements (“Side Letters”) with certain Investors that will result in terms of an investment in a Fund different than those applicable to other Investors. As a result of such Side Letters, certain Investors may receive additional rights that other Investors will not necessarily receive. Except as required by law, in general, Two Ocean will not be required to notify other Investors of any such Side Letters or any of the provisions of the Side Letters. Two Ocean will not be required to offer such additional or different rights and terms to any or all of the other Investors.

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

### *Investment Strategies and Methods of Analysis*

Two Ocean, on behalf of the Funds, seeks to compound Investors' capital over the long term with low correlation to global equity markets. Two Ocean pursues this objective by seeking positive absolute returns in all market environments on both long and short investments. Two Ocean's principal strategy is fundamental long/short investing across global equity markets. In executing this strategy, Two Ocean anticipates that the master fund will primarily buy equities long and sell equities short on public stock exchanges around the world.

Two Ocean believes that companies are valued according to their ability to convert invested capital into profits. Two Ocean also believes that this creates a correlation between a company's return on net operating assets and its enterprise value relative to the net operating assets and that this relationship provides a framework from which to make long and short investment decisions. In light of these beliefs, Two Ocean generally seeks to combine fundamental research with financial modeling to identify future inflection points in a company's returns. Two Ocean then generally seeks to weigh the projected returns against market expectations and to assess whether the company's current valuation presents an opportunity. However, Two Ocean broad discretion to employ a wide variety of investment techniques, even if they involved changes in or differ from the approaches described in this brochure.

Two Ocean does not anticipate engaging in extensive hedging activities, whether through the use of derivatives such as options, futures or forwards, or otherwise. However, Two Ocean anticipates that it will hedge forward currency exposure if doing so is appropriate and cost-effective. The master fund will invest in a relatively concentrated portfolio comprised primarily of long and short positions in securities that are publicly-traded in markets around the world. Investments by the master fund will focus on, but will not be limited to, the consumer discretionary, staples, durables, and technology sectors. Two Ocean may invest the master fund in companies of any market capitalization, but it anticipates that it will seek to invest in small and mid-capitalization companies.

Two Ocean's research process may include: (a) review of SEC filings, conference calls (transcripts), research notes, and news sources; (b) contact with company management, in person and telephonically; (c) conversations with sell side analysts to assess "street" expectations; (d) contact with primary research sources such as competitors, suppliers, customers, etc.; and (e) consultations with professionals that are part of expert networks.

Although research from brokerage houses and other traditional sources can be helpful in facilitating the research process, Two Ocean places strong emphasis on generating an internal, primary, and proprietary research. As noted above in this section, Two Ocean also seeks to apply financial modeling to identify future inflection points in a company's returns.

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involves risk of loss  
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### ***Risk of Loss***

Investing in securities involves a risk of loss that Investors should be prepared to bear. No guarantee or representation is made that a Fund's investment objectives will be achieved and performance could be negatively impacted by a number of risks, including, but not limited to:

1. **Dependence on Investment Manager and Key Personnel.** The Funds' prospects depend upon Two Ocean's ability to develop and implement investment strategies that achieve the Funds' investment objectives. Two Ocean's operations are substantially dependent upon the skill, judgment and expertise of Mr. Revill and Two Ocean's other investment personnel. The death, disability, departure or other unavailability of any key personnel could have a material and adverse effect on the Funds.
2. **Limited Operating History.** The Funds and Two Ocean are newly-formed and have a limited operating history. Neither the Funds nor Two Ocean can or do give any assurance that the Funds will achieve profits or will not incur substantial losses.
3. **Concentration of Investments.** The master fund will not be as diversified as many other investment funds. Losses in one or more large positions, or a downturn in an industry sector in which the master fund is concentrated, could have a materially adverse effect on the fund's overall financial condition.
4. **Small and Medium Capitalization Stocks.** The master fund will invest in stocks of companies with relatively small- or medium-sized market capitalizations, which can involve higher risks than investments in stocks of larger companies. For example, prices of small-capitalization and some medium-capitalization stocks are often more volatile than prices of large-capitalization stocks and the risk of bankruptcy or insolvency of many smaller companies may be higher than for larger, "blue-chip" companies. In addition, thin trading in some small- and medium-capitalization stocks may make those stocks less liquid than large-capitalization stocks.
5. **Short Selling.** The master fund expects to sell securities short as a regular part of its investing activities. A short sale theoretically involves the risk of unlimited loss; the price at which a short seller must buy "replacement" securities could increase without limit. As such, the master fund may experience losses on short positions that are not offset by gains on long positions.
6. **General Market Conditions and Disruptions.** Developments and disruptions in financial and securities markets can significantly affect the prospects of companies in which the master fund invests.
7. **Volatility.** The master fund may hold positions for significant periods of time before their success or failure becomes apparent or any gains are realized. It may take longer for successful positions to realize their potential than for unsuccessful ones to reveal their weaknesses. Market prices of portfolio positions may fluctuate significantly, causing performance to be volatile over the short term.



8. **International Investing Risk.** Investing outside the United States may involve greater risks than investing in the United States. These risks include, among others: (a) less publicly-available information; (b) varying levels of governmental regulation and supervision; (c) the difficulty of enforcing legal rights in a non-U.S. jurisdiction; and (d) uncertainties as to the status, interpretation, and application of laws.
9. **Currencies and Foreign Exchange.** The master fund may take positions in currencies, either directly or through the use of derivative instruments. While it may do so to hedge currency exposure on other investments, it may also do so to take advantage of what Two Ocean considers trading opportunities. The foreign exchange markets can be news-driven and can be unexpectedly volatile and can be affected by non-market forces such as actions of various governments.
10. **Derivatives Risk.** The master fund may make use of various derivative instruments, such as options, futures, warrants, forwards, and interest rate, credit default, total return, and equity swaps. Derivative investments involve a variety of risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult, as well as costly, to close out open positions in order to realize gains or limit losses.
11. **Hedging.** The master fund may use hedging strategies to the extent it considers appropriate in light of current circumstances and portfolio composition. Hedging strategies in general are intended to limit or reduce investment risk, but they can also be expected to involve transaction costs and may inherently limit or reduce the potential for profit. Hedges can subject the fund to additional risk, if prices involved in the hedging position move against the fund. Other risks that may be involved in hedging include: (i) possible illiquidity in the market for closing out a hedging position; (ii) interest rate, spread, or other broad market movements not anticipated by Two Ocean; (iii) the fund's obligations to meet margin or other payment requirements; (iv) a counterparty's default or refusal to perform; and (v) impact that required segregation of the master fund's assets to cover hedge-related obligations may have on portfolio management or the fund's ability to meet short term obligations.
12. **Trading Errors.** Trading inevitably entails the risk of errors in order placement and execution. Two Ocean may engage in trading that is, at times, rapidly executed and may rely on computer code, software, hardware, and modes of transmission. These activities may increase the risk of trading errors. The Funds will bear the costs of trade errors, as long as the errors do not constitute gross negligence or willful misconduct.
13. **Counterparty and Custody Risk.** Financial institutions with which the master fund does business, including the prime brokers or counterparties that hold assets as collateral, could become insolvent. In particular, if a prime broker were to declare bankruptcy or become insolvent, the master fund may not be able to recover all or a portion of its assets.

The list of risk factors above is not a complete enumeration or explanation of the risks involved in an investment in a Fund. Investors and prospective Investors should refer to the relevant Governing Documents for a complete description of risks associated with a particular Fund.

## **9. Disciplinary Information**

Two Ocean and its employees have not been involved in any legal or disciplinary events that would be material to an Investor's evaluation of Two Ocean or its personnel.

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

Two Ocean is related to Two Ocean GP LLC, which serves as the general partner of the the domestic feeder fund and the offshore master fund. Mr. Revill is a member of the three-person board of directors of the offshore feeder fund; the other two members of the board of directors are persons that are not related to Two Ocean. Two Ocean is related to Two Ocean Capital Holdings LLC, which is the general partner of Two Ocean. Two Ocean does not believe the relationships described in this section present material conflicts of interests with the Funds.

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

### *Code of Ethics*

Pursuant to Rule 204A-1 under Advisers Act, Two Ocean has adopted a Code of Ethics that is predicated on the principal that Two Ocean owes a fiduciary duty to the Funds. Accordingly, supervised persons of Two Ocean must disclose or avoid activities, interests, and relationships that run contrary (or appear to run contrary) to the best interest of the Funds. Two Ocean endeavors to maintain current and accurate records of all personal securities accounts of its employees in an effort to monitor all such activity.

A copy of the Company's Code of Ethics is available to any Investor or prospective Investor upon request.

### *Participation or Interest in Client Transactions and Personal Trading*

Personal securities transactions by Two Ocean's supervised persons are subject to the restrictions set forth in the Company's Code of Ethics. Among other things, the Code of Ethics generally prohibits supervised persons from trading in their personal accounts any securities, except that (1) they may invest in initial public offerings and private placements if they obtain the approval of the CCO and (2) they may invest in the following types of "unrestricted securities": Direct obligations of the government of the United States; 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 investment companies registered in the U.S., other than funds advised or underwritten by Two Ocean or an affiliate; interests in 529 college savings plans; and shares

issued by unit investment trusts that are invested exclusively in one or more open-end registered investment companies, none of which are advised or underwritten by Two Ocean or an affiliate. As a policy, employees may not invest in any security in which the Funds invest, unless the security is an “unrestricted security” (as described in the immediately preceding sentence).

Two Ocean will, upon request, furnish Investors with a copy of its Code of Ethics. All requests for Two Ocean’s Code of Ethics should be directed to the CCO.

## **12. Brokerage Practices**

When placing orders on behalf of the master fund, Two Ocean uses its best efforts to obtain prompt execution, the most favorable price reasonably available, and a commission rate competitive with generally prevailing commission rates. Two Ocean considers the following factors, among others, when selecting broker-dealers and determining the reasonableness of their compensation:

- Price,
- The opportunity for price improvement,
- Order size,
- Transaction costs,
- Liquidity,
- Speed of execution, and
- Operational facilities of the counterparty.

Two Ocean also considers whether a broker has furnished research or other services that enhance its portfolio management capabilities. In accordance with Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”), Two Ocean may negotiate with and assign to a broker a commission that may exceed the commission that another broker would have charged if Two Ocean determines in good faith that the amount of commission charged was reasonable in relation to the value of brokerage and/or research services provided by such broker.

Research services received from brokers and dealers are supplemental to Two Ocean’s own research efforts. As such, Two Ocean has an incentive to select broker-dealers based on Two Ocean’s interest in receiving the research or other products or services, rather than on the Funds’ interest in receiving most favorable execution. However, as a practical matter, it would not be possible for Two Ocean to generate all of the information provided by brokers and dealers through internal research. Therefore, Two Ocean pays directly for certain research services received from external sources and seeks to allocate brokerage to pay for other research services in accordance with Section 28(e). While the receipt of research services from brokerage firms has not reduced Two Ocean’s normal research activities, the expenses of Two Ocean would increase if it attempted to generate such additional information through its own investment research activities.

Within the last fiscal year, Two Ocean acquired the following types of products and services using soft dollars: risk, research, and oral consulting. Within the last fiscal year, Two Ocean

used the following procedures to direct transactions to broker-dealers in return for soft dollar benefits: discussed soft dollar arrangements, in light of the Section 28(e) safe harbor, with soft dollar broker-dealer(s) and evaluated the arrangements in light of Two Ocean's duty to seek best execution. Research related services and products are received in the form of written reports and personal or telephonic meetings with security analysts, expert consultants, and company management. In some cases, research services are generated by third parties but are provided to Two Ocean by broker-dealers.

Any new arrangements with broker-dealers regarding soft dollars must be approved in advance by the CCO. Any soft dollar benefits will be used to service all of the Funds, although trading occurs, and the soft dollar credits are generated, at the master fund level. All products and services obtained under soft dollar arrangements are evaluated at least annually by Two Ocean's Best Execution Committee, which includes the CCO. The Best Execution committee considers, among other things, whether the products or services fall within the Section 28(e) safe harbor and whether the cost of any products or services (e.g., "mixed use" products or services) should be allocated between Two Ocean and the Funds.

Two Ocean has received Investor referrals from registered representatives of broker-dealers that trade on behalf of the Funds. The Company is aware that such referrals may pose a conflict of interest; Two Ocean could have an incentive to direct brokerage to broker-dealers that fail to achieve best execution in order to continue receiving referrals. To mitigate this potential conflict, Two Ocean reviews referrals (if any) and the associated conflicts of interest during its periodic Best Execution Committee meetings.

As noted above, trading occurs at the master fund level. As a result, Two Ocean does not aggregate transactions on behalf of multiple Fund accounts. Two Ocean does not permit Investors to direct brokerage to specific broker-dealers.

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

The master fund's holdings are reviewed by the investment and research team, including the Portfolio Manager, at least weekly. In addition, the CCO reviews the Funds' holdings and transactions at least monthly to seek to ensure compliance with investment objectives, guidelines, and restrictions (if any).

Two Ocean delivers, or causes the Funds' service providers to deliver, the following reports to Investors: Capital statements monthly, investor letters quarterly, audited financial statements for the Funds annually, and tax information as soon as reasonable practicable following the close of each calendar year. Two Ocean may agree with particular Investors to provide reports and access to financial or portfolio-related information that is more detailed than the reports and information provided to Investors generally, and/or to provide financial and portfolio-related information more rapidly and/or more frequently than it provides that information to Investors generally. If Two Ocean does so, it will not be obligated to provide the same reports or access to information, or the same timing, to all Investors.

For a complete description of the books and records to be made available to or to be provided to Investors, Investors should refer to each Fund's Governing Documents.

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

Two Ocean does not currently have any formal Investor referral or solicitation agreements in place.

## **15. Custody**

All Fund assets are held in custody by unaffiliated broker-dealers or banks, which are qualified custodians. However, Two Ocean is deemed to have custody of the Funds' assets because it or an affiliate serves as the general partner of a Fund or because it has broad authority to obtain possession of a Fund's funds or securities. Accordingly, the Funds are subject to an annual audit and audited financial statements are distributed to each Investor. The audited financial statements for the Funds are prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end.

## **16. Investment Discretion**

Two Ocean has broad discretion to employ a wide variety of investment techniques, even if they involve changes in the investment approach initially anticipated. In all cases, investment discretion is to be exercised in a manner consistent with the stated investment objectives of the Funds.

Two Ocean is also authorized to make the following decisions on a discretionary basis: (a) which securities or instruments to buy or sell; (b) the total amount of securities or instruments to buy or sell; (c) the executing broker, dealer, or bank for any transaction; and (d) the commission rates or commission equivalents charged for transactions.

Investment discretion is granted to Two Ocean by the Funds' Governing Documents, including an investment management agreement between Two Ocean and the master fund.

## **17. Voting Client Securities**

Two Ocean is ultimately responsible for ensuring that all proxies received with respect to the Funds are voted (when appropriate) in a timely manner and in a manner consistent with Two Ocean's written policies and procedures. Two Ocean seeks to ensure that all votes are consistent with the best interests of the Funds and are free from unwarranted and inappropriate influences.

Each proxy is reviewed on a case-by-case basis by the Portfolio Manager. However, Two Ocean believes that voting with an issuer's management recommendations is generally in the best interest of the Funds. Accordingly, Two Ocean will vote with an issuer's management unless, after review, the Portfolio Manager believes that another course of action - including

abstention - is the master fund's best interest. Investors may not instruct Two Ocean how to vote with respect to any proxy received on behalf of a Fund. If a conflict of interest between Two Ocean and the master fund with respect to voting its securities arises, the conflict of interest will be resolved by consulting with an independent third party or with outside counsel in order to arrive at a recommendation.

Two Ocean has adopted policies and procedures that address generally the guidelines it expects to follow when voting proxies on behalf of the master fund. Investors may request a copy of Two Ocean's full proxy voting policies and procedures, as well as information about how Two Ocean voted the master fund's proxies, by contacting Two Ocean at [craig@twoocean.com](mailto:craig@twoocean.com). A copy of those policies and procedures and information about how Two Ocean voted the master fund's proxies will be provided upon request to Investors, at Two Ocean's sole discretion.

## **18. Financial Information**

Two Ocean has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Funds and has not been the subject of a bankruptcy proceeding.