



# Meghalaya Partners, L.P. Part 2A of Form ADV The Brochure

55 Railroad Avenue  
Greenwich, CT 06830

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This brochure provides information about the qualifications and business practices of Meghalaya Partners, L.P. (“Meghalaya” or the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (203) 900-3500. 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 with the SEC or with any state securities authority does not imply a certain level of skill or training.

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

## Material Changes

The Registrant did not undergo any material changes since the last annual Form ADV was filed on March 30, 2016.

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## Advisory Business

Meghalaya is an investment adviser with its primary place of business in Greenwich, CT. Meghalaya was formed in 2015 to pursue a global/long short investment strategy in high yield corporate credit and is owned by Srinivasan Kesavan, the President and Chief Investment Officer (“CIO”). The Registrant provides investment advice to private funds organized in a master-feeder structure including Megha Long/Short Credit Master Fund, Ltd. (the “Master Fund”), Megha Long/Short Credit Fund, L.P. (the “Onshore Fund”) and Megha Long/Short Credit Fund, Ltd. (the “Offshore Fund”). The private funds are collectively referred to herein as the “Funds” or each a “Fund.” Meghalaya also provides investment advice to one or more separately managed accounts. The separately managed accounts and Funds are collectively referred to herein as the “Clients” or each a “Client.” The Funds offer and sell their respective interests and shares in private transactions solely to qualified purchasers and certain employees of the Registrant and its affiliates.

In providing services to each Fund, Meghalaya formulates the investment objective for each Fund, directs and manages the investment and reinvestment of each Fund’s assets, and provides periodic reports to investors in each Fund. Investment advice is provided directly to each Fund and not individually to the investors of the Funds. The Registrant does not tailor advisory services to the individual needs of investors. Meghalaya manages the assets of each Client in accordance with the terms of the governing documents applicable to each Client.

As of December 31, 2016, Meghalaya's discretionary regulatory assets under management are \$282,261,323.

## **Fees and Compensation**

Meghalaya charges Clients a management fee based on a percentage of assets under management and a performance-based fee. The Funds issue different tranches or series of interests or shares, which subject investors to different early redemption charges, management fee rates, and performance fee rates. Each Fund's governing documents set forth in detail the fee structure relevant to each Fund. Investors should review all fees charged by Meghalaya and related entities to fully understand the total amount of fees to be paid by a Fund and, indirectly, by Investors.

Management fees and performance fees are waived, reduced or calculated differently with respect to certain investors, including, without limitation, investors who subscribed early to the Funds, investors that are officers, directors, members, partners, or employees (collectively the "Employees") of Meghalaya, members of the immediate families of such persons, and trusts or other entities for their benefit, in each case in Meghalaya's sole discretion.

Meghalaya's fee schedule is omitted as this brochure is only being provided to qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the "Investment Company Act"). Clients separately incur costs associated with custody, brokerage and trading activities. Clients should refer to Item 12 for additional information about Meghalaya's brokerage practices.

In addition to the fees and costs discussed above, Clients are generally responsible for the organizational and operating expenses described in relevant governing documents. For separately managed account Clients, the types of fees and expenses are negotiated with the Client in the investment management agreement. The types of fees and expenses for the Funds generally include the following non-exhaustive list: compliance, accounting, tax reporting, audit and legal expenses; administrator expenses; regulatory filing expenses made in connection with managing a Fund's portfolio; initial ongoing and offering expenses; restructuring expenses; investment expenses such as brokerage commissions, hedging costs, mark-ups on investments, and trading costs; research fees and expenses (including research services, research subscriptions and research-related travel); costs relating to the use of order management and execution systems; interest on debit balances or borrowings; custody fees; director fees; and the costs of any liability insurance obtained on behalf of the Funds or the Registrant. Meghalaya may invest a portion of Client's assets in shares of mutual funds or other investment companies, including exchange traded funds. Assets invested in such investment companies will be included in computing the management fees paid to Meghalaya. The same assets will also be subject to additional advisory and other fees and expenses, as set forth in the prospectuses of those investment companies, paid by the investment companies, but ultimately borne by Clients. Investors are also subject to an early redemption charge in the event they redeem prior to the end of an initial period specified in the governing documents. Meghalaya may, in its sole discretion, choose to absorb any such expenses incurred on behalf of the Funds.

Please refer to the governing documents for a full description of Fund expenses.

## **Performance Based Fees and Side-by-Side Management**

Clients pay Meghalaya a performance allocation that is based on a percentage of net profits of the account. The fact that Meghalaya is compensated based on trading profits may create an incentive for Meghalaya to make investments on behalf of Clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance based fee received by Meghalaya is based primarily on realized and unrealized gains and losses. As a result, the performance based fee earned could be based on unrealized gains that Clients may never realize. Meghalaya does not allocate investments to Clients based on the fees paid by such Client. Clients are generally allocated investments on a pro-rata basis subject to certain exceptions such as regulatory restrictions, Client-imposed restrictions, and to avoid odd lots, among other exceptions.

## **Types of Clients**

Meghalaya provides advisory services to private investment funds and separately managed accounts. The Funds are generally organized in a “master-feeder” structure, where the Onshore Fund and Offshore Fund invest substantially all of their assets into the Master Fund, although the feeder funds may make direct investments for tax, legal, or regulatory reasons.

Subject to the discretion of Meghalaya to accept less, the minimum investment threshold accepted for the Funds is \$1,000,000. The Registrant evaluates the minimum investment amount for the Funds, as well as separately managed accounts, on a case-by-case basis.

Interests in the Funds are not registered under the Securities Act of 1933, as amended, and such Funds are not registered under the Investment Company Act. Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements either in private transactions within the United States or in offshore transactions.

Meghalaya enters into agreements (“Side Letters”) with one or more investors or shareholders of a Fund which provide such investor with additional and/or different rights (including, without limitation, with respect to management fees, the performance allocations, withdrawals, access to information, minimum investment amounts and liquidity terms) than such shareholders or investors have pursuant to general terms of such collective investment vehicle. Meghalaya will not be required to notify any or all of the other investors or shareholders of any such written agreements or any of the rights and/or terms or provisions thereof, nor will Meghalaya be required to offer such additional and/or different rights and/or terms to any or all of the other investors or shareholders.

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

Meghalaya’s primary investment objective is to achieve attractive risk-adjusted returns over the credit cycle with long/short credit exposure across the ratings spectrum of high yield and

distressed debt and cross-capital structure investment capability in the equities of high yield issuers. The Registrant employs a rigorous fundamental, earnings-centric approach, combined with a strong event orientation to find idiosyncratic spread change on both sides of the book and exploit the spread dispersion between longs and shorts. Clients invest broadly, long and short, across the entire high yield credit universe. Principal investment categories consist of performing debt, stressed/distressed debt, and credit-related equities, with flexible implementations through both cash and credit default swaps. Importantly, the Clients' net exposure is highly variable across the credit cycle, with higher net exposure in wider spread environments and lower net exposure in tighter spread environments, with the ability and willingness to have minimal net credit exposure as market conditions warrant.

Investing in sub-investment grade instruments and other securities involves the risk of loss that Clients and investors should be prepared to bear. Below is a summary of the material risks associated with the Registrant's investment strategy and types of investments. Prospective investors in the Funds should refer to the Fund's governing documents for a full description of risks.

***Special Situations.*** Clients may have investments in issuers involved in (or the target of) acquisition attempts or tender offers or issuers involved in work outs, liquidations, spin offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Client may be required to sell its investment at a loss.

***Fixed Income Investments.*** The value of fixed-income securities in which a Client invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed-income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). The fixed income investments of Clients are subject to credit, liquidity and interest rate risk.

***Bank Loans.*** Loans may become nonperforming or impaired for a variety of reasons. Such nonperforming or impaired loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of the loan. In addition, because of the unique and customized nature of a loan agreement and the private syndication of a loan, certain loans may not be purchased or sold as easily as publicly traded securities, and, historically, the trading volume in the loan market has been small relative to other markets. Loans may encounter trading delays due to their unique and customized nature, and transfers may require the consent of an agent bank and/or borrower. Risks associated with bank loans include the fact that prepayments may generally occur at any time without premium or penalty.

***High-Yield Debt Securities and Lower Rated Loans.*** Risks of high-yield debt securities may include (among others): (i) limited liquidity and secondary market support, (ii) substantial market place volatility resulting from changes in prevailing interest rates, (iii) subordination to the prior claims of banks and other senior lenders, (iv) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause Clients to reinvest premature redemption proceeds in lower-yielding debt obligations, (v) the possibility that earnings of the high-yield debt security issuer may be insufficient to meet its debt service and (vi) the declining creditworthiness and potential for insolvency of the issuer of such high-yield debt securities during periods of rising interest rates and/or economic downturn. Risks similar to those described above in connection with investment in high-yield debt securities are also applicable to investments in lower rated loans.

***Subordinated Securities.*** Investments in subordinated classes of fixed income investments involve greater credit risk of default than the senior classes of the issue or series. Many of the default-related risks of whole loan mortgages will be magnified in subordinated securities.

***Mezzanine Debt Securities.*** Adverse changes in the financial condition of the obligor of mezzanine debt securities or in general economic conditions or both may impair the ability of the obligor to make payment of principal and interest.

***Synthetic Securities.*** Clients will be subject to the credit risk of the counterparty as well as that of the reference obligor. As a result, concentrations of synthetic securities in any one counterparty subject Clients to an additional degree of risk with respect to defaults by such counterparty as well as by the reference obligor.

***Distressed or Stressed Companies.*** Investments in distressed or stressed companies may involve substantial financial and business risks that can result in significant or even total losses. Among the risks inherent in investments in financially troubled companies is the fact that it is frequently difficult to obtain reliable information as to their true financial condition and prospects. The market prices of distressed and stressed securities are subject to abrupt and erratic market movements and excessive price volatility, and the “bid-ask” spreads for such securities may be greater than normally expected.

***Securities Lending.*** Fixed income investments may be loaned to banks, broker-dealers or other financial institutions. Such loans will generally be required to be secured by cash or securities issued or guaranteed by the United States or any agency or instrumentality thereof, the obligations of which are expressly backed by the full faith and credit of the United States, in a negotiated amount in excess of the current market value of the loaned fixed income investments, determined on a daily basis. However, if the borrower of a loaned fixed income investment defaults on its obligation to return such loaned fixed income investment because of insolvency or otherwise, the Client could experience delays and costs in gaining access to the collateral posted by the borrower (and in extreme circumstances could be restricted from selling the posted collateral). If the borrower defaults, the Client could suffer a loss to the extent that the realized value of the cash or securities securing the obligation of the borrower to return a loaned fixed income investment (less

expenses) is less than the amount required to purchase such fixed income investment in the open market.

***International Investing.*** Investing outside the United States may involve greater risks than investing in the United States. These risks include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws.

***Illiquid Investments.*** Subject to the Client's investment objective and strategy, the Registrant may from time to time make limited investments in restricted, as well as thinly traded, instruments and securities (including privately placed securities and instruments, which are assets subject to Rule 144A). There may be no trading market for these securities and instruments, and the Client might only be able to liquidate these positions, if at all, at disadvantageous prices. As a result, the Client may be required to hold such securities despite adverse price movements.

***Risks Associated with Bankruptcy Cases.*** Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors.

***Zero-Coupon and Deferred Interest Bonds.*** Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

***Derivatives.*** Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short term obligations because of the percentage of a portfolio's assets segregated to cover its obligations.

***Credit Default Swaps and Other Credit Derivatives.*** Such risks include, among other things, the risk of default and insolvency of the obligor of such asset and the risk that the credit of the obligor or the underlying collateral will decline or that credit spreads for like assets will change (thus affecting the market value of the financial asset).

***Equities.*** The Registrant's equity investments on behalf of a Client may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses.

***Leverage.*** Losses incurred on a Client's leveraged investments will increase in direct proportion to the degree of leverage employed. A Client will also incur interest expense on the borrowings used to leverage its positions. The Registrant does not generally expect a Client's gross exposures to exceed 250% in terms of the sum of high yield equivalent credit exposure and equity exposure (as determined by the Registrant). The use of leverage also may result in the forced liquidation of positions (which may otherwise have been profitable) as a result of margin or collateral calls.

***Hedging Strategies.*** Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of the Fund securities or other objective of the Registrant; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by the Registrant; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen a Client's position; and (v) default or refusal to perform on the part of the counterparty with which Clients trade.

## **Disciplinary Information**

Meghalaya and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an evaluation of the Registrant or its personnel.

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

The Registrant provides investment advice to the Funds. The general partner of the Onshore Fund is affiliated with the Registrant by common ownership and is subject to the compliance supervision of the Registrant. Otherwise, Meghalaya and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

Meghalaya has adopted a written Code of Ethics that is applicable to all employees. Among other things, the Code of Ethics requires Meghalaya and its employees to act in Clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, pre-clear many types of personal securities transactions, and provide periodic reports of holdings and transactions. Meghalaya's restrictions on personal securities trading apply to employees, as well as employees' immediate family members living in the same household. A copy of Meghalaya's Code of Ethics is available upon request by contacting the Chief Compliance Officer ("CCO") at (203) 900-3500.

Meghalaya's employees are prohibited from purchasing credit-related securities/instruments and securities/instruments found on the Registrant's Restricted List. Generally, the only exception to this policy is that Employees may sell pre-existing positions that were held in their portfolios at the time the Code of Ethics was adopted or at the commencement of their employment, subject to pre-clearance. Except for limited exceptions, including ETFs and municipal bonds, employees must obtain written clearance for all transactions involving reportable securities that are permitted to be traded under the Code of Ethics before completing the transactions.

## **Brokerage Practices**

Meghalaya has full discretion in deciding which instruments and securities are bought and sold, the amount and price of those instruments and securities, the broker-dealers to be used for a particular transaction, and commissions or markups and markdowns paid on behalf of Clients.



### Best Execution

The Registrant allocates transactions for Clients, including financings, to broker-dealers based on a number of factors, including price, the ability of the brokers and dealers to effect the transactions, and the broker-dealers' facilities, reliability, and financial responsibility. The primary factor in seeking best execution for credit transactions is obtaining the best price on each transaction. The Registrant does not direct brokerage business to broker-dealers based on referrals of prospective Clients or investors from such broker-dealers.

Investment personnel meet periodically to evaluate the execution quality of broker-dealers, which covers a number of factors including commission rates for equity transactions, evaluation of prices obtained on credit-related transactions, and the broker-dealer's services, including research and execution.

### Soft Dollar Benefits

As of the date of this filing, Meghalaya has not entered into any formal soft dollar arrangements with broker-dealers. The Registrant accepts only proprietary research from broker-dealers which is supplemental to its own research efforts. To the best of Meghalaya's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. Meghalaya does not separately compensate such broker-dealers for the research and does not believe that it "pays-up" for such broker-dealers' services due to the difficulty associated with the broker-dealers not breaking out the costs for such services. Meghalaya's acceptance of research from broker-dealers is done in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended.

### Aggregation and Allocation of Trades

Meghalaya will seek to allocate trades in a manner that is fair to all Clients, and does not allocate trades based on an account's performance or fee structure. Meghalaya generally aggregates trades for Clients with the same investment strategy when such aggregation is expected to be in the best interest of all participating Clients. Client accounts that participate in an aggregated trade generally receive a pro-rata allocation based on the ending net asset values as of the prior month end. All accounts participating in a block trade receive the average price and pay a proportional share of any commission, subject to minimum ticket charges. Exceptions to the pro-rata allocation may occur in the following scenarios, among others:

- a. To avoid odd lots
- b. Based on Client-imposed investment restrictions
- c. Due to regulatory restrictions that may apply to one Client and not another (e.g., 144A securities)
- d. In light of limitations on locating a borrow on short sales given differences in prime brokerage relationships between Clients
- e. Based on eligibility to participate in new issues (in light of FINRA Rule 5130 and 5131)

Any exceptions to the pro-rata allocation percentage calculations must be documented by the CIO and reviewed by the CCO.

### Trade Errors

Meghalaya makes all efforts to minimize trading errors but may from time to time make such errors. In the event that a trade error does occur, the error will be addressed and corrected as soon as practicable. For errors in the Funds, the Registrant allocates all operational and trading errors (including those which result in losses and those which result in gains) to the applicable Fund, unless they are the result of conduct on the part of Meghalaya which constitutes willful misconduct, gross negligence, or bad faith. In the case of other Clients advised by Meghalaya, the same or a different policy regarding trade errors may apply.

## **Review of Accounts**

Client portfolios are continuously reviewed on an ad hoc basis, and are formally reviewed at least quarterly to ensure compliance with Clients' investment objectives and any investment restrictions. Meghalaya's investment personnel hold ad hoc meetings as necessary, and generally meet on a daily basis to discuss any applicable topics, such as investment ideas, economic developments, current events, investment strategies, and Client holdings.

Separately managed account Clients receive reports and statements directly from their chosen administrator. Meghalaya also supplements the administrator's reporting with additional reports such as monthly performance/exposure reports, monthly commentaries, and quarterly letters.

Generally, Investors in the Funds receive monthly performance reports, monthly commentaries, and quarterly investor letters. The Funds' administrator provides investors with the investor's account balance on a monthly basis. Investors also receive copies of audited financial statements for the relevant Funds on an annual basis and investors in the Onshore Fund receive Schedule K-1s on an annual basis.

## **Client Referrals and Other Compensation**

The Registrant does not directly or indirectly compensate any third-party for Client or investor referrals.

Other than the previously described products and services that the Registrant receives from counterparties in the ordinary course of business, Meghalaya does not receive any other economic benefits from non-clients in connection with the provision of investment advice to Clients.

## **Custody**

In its role as general partner and/or manager to the Funds, Meghalaya is deemed to have custody of the Fund assets. All securities, other than privately offered securities, are held in custody by unaffiliated broker-dealers or banks. The Funds are subject to an annual audit by an accountant

registered with and subject to inspection by the PCAOB and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days after the respective Fund's fiscal year end.

## **Investment Discretion**

Client accounts are managed in accordance with governing documents. Meghalaya has investment discretion over all Clients' accounts and has the authority to determine (i) the instruments and securities to be purchased and sold (subject to restrictions on its activities set forth in the governing documents), (ii) the amount of instruments and securities to be purchased or sold, (iii) the executing broker or dealer for any transaction, and (iv) the commission rates charged for the transactions.

## **Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended, Meghalaya has adopted and implemented written policies and procedures governing the voting of client securities. When given discretion by a separate account Client and for the Funds, Meghalaya exercises proxy voting authority. In exercising its voting discretion, the Registrant and its employees will seek to avoid any direct or indirect conflict of interest raised by such voting decision. All conflicts of interest will be resolved in the interests of its Clients. Resolutions shall be reached after such conflicts are reviewed by the CCO and other employees.

In addition, Meghalaya may participate in class actions on behalf of its Clients on a case-by-case basis. When so doing, Meghalaya will determine if it is in the best interest of its Clients to recover monies from a class action.

A copy of Meghalaya's proxy voting policies and procedures, as well as specific information about how Meghalaya has voted in the past, is available by contacting the CCO at (203) 900-3500.

## **Financial Information**

Meghalaya has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage Client accounts.