

**Livia Capital Partners L.P.**

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This brochure provides information about the qualifications and business practices of Livia Capital Partners L.P. ("Livia"). If you have any questions about the contents of this brochure, please contact us at (212) 858-9300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Registration as an investment adviser pursuant to the Investment Advisers Act of 1940 (the "Advisers Act") does not imply any level of skill or training. This document is not an advertisement for the advisory services of Livia, nor an offer to sell or the solicitation of an offer to purchase interests in any fund managed by Livia.

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## **Item 2: Material Changes**

This is the first version of Livia's Brochure. Accordingly, there are no prior versions of the Brochure and no material changes to be noted.

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## Item 4: Advisory Business

Livia Capital Partners L.P. (“Livia”, the “Firm” or the “Investment Manager”), was established February 9, 2015, and provides investment management services on a discretionary basis to privately offered pooled investment vehicles.

The Livia Funds will be organized in a master-feeder structure: Livia Partners LP, a Delaware limited partnership (the “Domestic Fund”), Livia Offshore Fund Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Offshore Fund”), Livia Intermediate Fund LP, a Cayman Islands exempted limited partnership (the “Intermediate Fund”), and Livia Master Fund LP, a Cayman Islands exempted limited partnership (the “Master Fund” and together with the Domestic Fund, Offshore Fund, and Intermediate Fund, the “Livia Funds”). The Offshore Fund will invest all of its assets, and the Domestic Fund will invest a substantial portion of its assets in the Intermediate Fund. The Intermediate Fund will invest all of its assets in the Master Fund.

Livia Capital GP LLC, a Delaware limited liability company, is the general partner (the “Livia General Partner”) of the Livia Funds and is responsible for the overall management of the Funds. Livia is the investment manager to the Livia Funds and is responsible for the management of the Funds’ portfolio pursuant to the terms of an investment management agreement between each of the Livia Funds and the Investment Manager. Sara Tirschwell and Daniel Kamensky control the Investment Manager and are the managing members (the “Principals”) of Livia Capital Holdings LLC, a Delaware limited liability company that serves as the general partner of the Investment Manager.

Livia currently provides investment management services to the Gaius Special Situations Fund LP, a Delaware limited partnership, and the Gaius Special Situations Cayman Feeder LP, a Cayman Islands exempted partnership and offshore feeder fund (together the “Gaius Funds”). Gaius Special Situations GP LLC, a Delaware limited liability company, is the general partner (the “Gaius General Partner”) of the Gaius Funds. Gaius Special Situations CIP LLC, a Delaware limited liability company is the carried interest partner (the “Carried Interest Partner”). The General Partner and Carried Interest Partner are controlled by Sarah Tirschwell and Daniel Kamensky. There is approximately \$10.2 million in assets under management in the Gaius Funds as of September 22, 2015. The Gaius Funds are now closed to new investors.

Livia has full discretionary authority with respect to the investment decisions for both the Livia Funds and the Gaius Funds, and its advice is made in accordance with the investment objectives and guidelines as set forth in each Fund’s confidential offering

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memorandum. All entities/accounts managed by Livia will generally be referred to as “Funds” throughout this brochure.

Livia is eligible for the newly-formed-adviser exemption from the prohibition on SEC registration. At the time of this filing, the Firm has a reasonable expectation that within 120 days of registration, Livia will be eligible for SEC registration.

## **Item 5: Fees & Compensation**

### **Livia Funds**

Livia will receive fees for investment advisory services based on the amount of assets under management as disclosed in the respective Livia Funds offering documents and investment management agreements. The management fee is payable quarterly in advance and calculated based on the balance in each investor’s capital account, in an amount equal to 1.5% for Founders Class Interests and 1.75% for Class A Interests. Management fees are calculated by a third party administrator and deducted from each investor’s capital account. In the event of a withdrawal by an investor other than as of the last day of a quarter, Livia will return to the Livia Fund an amount equal to the pro rata portion of the Management Fee, based on the actual number of days remaining in such quarter. The Livia General Partner also receives an annual performance-based allocation from each Livia Fund. (Refer to “Item 6 - Performance Based Fees and Side-by-Side Management” below for additional information).

Livia has discretion to charge management fees that are different than what is disclosed in the applicable Fund offering documents and investment management agreements and which may be payable on different terms. Livia has discretion to waive, reduce or rebate the management fee with respect to the investment of one or more investors without notifying the other investors in the applicable Fund, provided that no such waiver or reduction will adversely impact any other investor or cause such investor to bear a higher portion of the management fee than he/she would bear absent such waiver, reduction or rebate.

### **Expenses**

In addition to the Management Fee and Performance Allocation (as defined below), pursuant to the offering documents and investment management agreements, the Livia Funds will bear their own expenses and their pro rata share of the Intermediate Fund’s and the Master Fund’s expenses and any trading subsidiary’s expenses, including, without limitation, the following: (i) the Management Fee; (ii) expenses related to the research, due diligence and monitoring of actual and prospective investments (whether or not consummated) and the consummation of investments; (iii) organizational expenses; and (iv) operational expenses.

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Potential investors should review the offering documents of each Livia Fund for additional disclosure regarding the expenses that will be borne by such Fund.

Item 12 further describes the factors that Livia considers in selecting or recommending broker-dealers for transactions and determining the reasonableness of their compensation.

#### Gaius Funds

The Gaius Funds do not charge management or advisory fees. The compensation structure for these Funds is outlined in Item 6 below.

## **Item 6: Performance Fees & Side-by-Side Management**

#### Livia Funds

The Livia General Partner will receive an annual performance allocation from the Livia Funds (the “Incentive Allocation”) of the excess net realized and unrealized profits over net realized and unrealized losses attributable to each Livia Fund during each fiscal year (in each case, subject to a “high water mark”). The Performance Fee is equal to 15% for the Founders Class Interests and 20% for the Class A Interests. If an investor is permitted or required to withdraw capital from the Livia Funds other than at the end of a fiscal year, the Performance Fee with respect to the portion being withdrawn will be determined through the applicable withdrawal date.

The Livia Funds maintain a loss recovery account for each Capital Account of a Limited Partner that tracks the losses that must be recouped before an Incentive Allocation can be made with respect to such Capital Account of a Limited Partner (i.e., the high water mark of such Capital Account). The balance in each Capital Account’s Loss Recovery Account is adjusted at the end of each Fiscal Year to reflect the aggregate net capital depreciation with respect to such Capital Account and is adjusted as necessary to account for net capital appreciation and intra-year withdrawals. The Incentive Allocation is not made with respect to a Capital Account until the balance of such Capital Account’s Loss Recovery Account has been reduced to zero.

The Livia General Partner may reduce, waive or rebate the Incentive Allocation with respect to certain investors, including its affiliates; provided, however, that no such reduction, waiver, or rebate will adversely impact any other Limited Partner or cause them to bear a higher portion of the Performance Fee than they would bear absent such reduction, waiver or rebate.

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### Gaius Funds

The Gaius Funds distribute income or proceeds derived from investments, net of expenses, as follows (with each determination made as of the time of distribution):

- 1) First, 100% to such Limited Partner until the cumulative amounts distributed equals the sum of all of such Limited Partner's Capital Contributions to the Gaius Fund with respect to the applicable series or class of interests; and
- 2) Second, 100% to such Limited Partner until it has received a 20% internal rate of return on the amounts distributed, measured from the date of the contribution to the Gaius Fund through the date of distribution; and
- 3) Thereafter, 50% to the Carried Interest Partner and 50% to such Limited Partner.

While not currently applicable to our business, we recognize that the management of Funds or accounts with differing terms related to performance-based fees could create potential conflicts of interest, including the risk that an adviser may favor one account over another. The Livia Funds are not subject to this conflict in that they are managed as a single pool of assets under a single strategy, with substantially all trading activity conducted through the Master Fund. Upon funding the Livia Funds, the Gaius Funds will no longer be actively traded. If Livia were to manage additional accounts with different strategies and fee structures in the future, we would adopt appropriate trade allocation policies designed to allocate investments in a fair and equitable manner.

Performance-based fees also create a potential conflict of interest in that it may create an incentive for Livia to effectuate larger and more risky transactions than would be the case in the absence of such compensation. We address these potential conflicts through regular monitoring for consistency with the Funds objectives, strategies, and target capacity. In addition, we carefully consider the risks involved in any investments and provide extensive disclosure to investors regarding the potential risks that come with an investment in the Funds, including disclosure as to how performance-based compensation is charged.

### **Side Letters**

The Funds have entered into side letters and other agreements and arrangements with certain investors which have established different rights or privileges with respect to various items, including but not limited to liquidity, management fees, performance allocation fees, transparency, reporting, capacity and key man. Livia may enter into such side letters without approval from, or notice to, any investor.

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## **Item 7: Types of Clients**

Livia provides investment advisory services to privately-offered pooled investment vehicles. Livia's clients consist of the Funds. Investors in the Funds must be "accredited investors" within the meaning of the Investment Company Act and generally consist of institutional investors and high net worth individuals. A minimum initial investment of \$1,000,000 is generally required to invest the Livia Funds. However, the General Partner, in its sole discretion, may accept an investment of a lesser amount as long as the investor qualifies to invest based on all other suitability and regulatory requirements as applicable to each fund. Livia may decline to accept the subscription of any prospective investor. The Gaius Funds are closed to new investors.

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

### **Methods of Analysis**

The Firm will employ an analytical approach to distressed investing which combines elements of traditional value investing together with event and legal analysis. The Funds' value-oriented approach assesses key "top-down" catalysts that will drive value by identifying the themes and trends at the macro and sector level that affect the fair market value of securities within a particular industry. Livia will then employ a dynamic "bottom-up" research process to analyze the businesses and capital structures of those companies to identify investment opportunities. Through this process, Livia seeks to identify pathways to monetization that involve a combination of economic and procedural catalysts.

The Funds' portfolios are constructed utilizing allocations to the following risk-weighted classes with an average investment horizon of 18 months: capital protection, exposed credit, relative value and equity-like exposures. Livia's positioning of the portfolio among these classes will be dependent upon its assessment of market, technical and economic cyclical indicators. The Firm analyzes each investment on an absolute risk-return basis, focusing on asymmetry, risk/reward and level of conviction to determine position sizing. An essential element of Livia's research process requires the investment team to regularly test and re-test underlying factors of its thesis.

The Funds' investment portfolios may be significantly concentrated, with a small number of investments comprising a substantial majority of the portfolio, depending on the market cycle and opportunity set. Livia will seek to diversify the investment portfolio across industries and geographic sectors.



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## Investment Strategies

The Livia Funds' principal investment objective is to achieve above market risk-adjusted returns throughout market cycles by making opportunistic investments across and throughout the capital structure of companies that are expected to undergo some form of corporate event or restructuring. The Funds' complementary investment objective is to minimize the Funds' exposure to the general securities markets by concentrating its portfolio in event-specific investments which operate independently of the broader securities markets. The Funds will focus on complex or misunderstood situations where securities trade at an attractive discount or premium to intrinsic value that can be realized through situation-specific catalysts, such as specific economic, legal, political or regulatory events. To achieve the Funds' goals, Livia will focus on corporate reorganizations, restructurings, industry dislocations, misunderstood businesses, recapitalizations, exchange offers, liquidations, substantial litigations, sovereign debt and other special situations where the market may be mispricing an asset's intrinsic value. The Funds will invest across the capital structure of companies in bank debt, bonds, convertible instruments, trade claims, credit default swaps, preferred stock, common stock and structured products, whether from the long or short side, with an emphasis on credit instruments.

An investment in the Funds involves a significant degree of risk including the loss of capital. Each potential investor should carefully evaluate the following considerations before investing in either Fund.

### Material Risks

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Funds advised by Livia. These risk factors include only those risks Livia believes to be material, significant or unusual and relate to particular significant investment strategies, methods of analysis or types of securities used by Livia. For a more detailed list of risk factors applicable to a particular Fund, please refer to the relevant Funds' offering memorandum.*

### **Operating History**

The Livia Funds and the General Partner have no operating history, and Livia has limited operating history, upon which prospective Limited Partners may base an evaluation of the likely performance of the Fund. The Principals have been using investment strategies similar to the investment strategies described herein for several years. However, past performance is not indicative of future results and there can be no assurance that the Funds will achieve results comparable to those achieved by the Principals and their affiliates in their prior investment activities. Accordingly, prospective Limited Partners should draw no conclusions from the prior performance of the Principals and their affiliates and should not expect the Funds to achieve similar results.

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### **Dependence on Key Individuals**

The success of the Fund depends upon the ability of Livia to develop and implement investment strategies that achieve the Funds' investment objective. The Funds' performance is highly dependent on the services of the Principals. If the Funds were to lose the services of one or more of the Principals, the consequence to the Funds could be material and adverse and could lead to the premature termination of the Funds. The Funds' performance is also dependent on the talents and efforts of other highly skilled individuals. Competition in the financial services, private equity and alternative asset management industries for qualified investment professionals is intense. Livia's ability to effectively manage the Funds' portfolio depends on the ability of Livia and its affiliates to attract new employees and to retain and motivate existing employees

### **Investments in Distressed Securities**

The Funds may invest in "below investment grade" securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Funds' investment in any instrument, and a significant portion of the obligations and securities in which the Funds invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that Livia will correctly evaluate the value of the assets underlying the Funds' loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Funds invests, the Funds may lose their entire investment, may be required to accept cash or securities with a value less than the Funds' original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Funds' investments may not compensate the Partners adequately for the risks assumed.

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### **Risks Associated with Non-Performing Loans**

The loans purchased by Livia for the Funds may be non-performing and possibly in default. Furthermore, the obligor and/or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments with respect to the loans. By their nature, these investments will involve a high degree of risk. Such non-performing loans ("NPLs") may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal of the loan and/or the deferral of payments. Commercial and industrial loans in workout and/or restructuring modes and the bankruptcy or insolvency laws of non-U.S. jurisdictions are subject to additional potential liabilities, which may exceed the value of the Funds' original investment. For example, borrowers often resist foreclosure on collateral by asserting numerous claims, counterclaims and defenses against the holder of loans, including lender liability claims and defenses, in an effort to delay or prevent foreclosure. Even assuming that the collateral securing each loan provides adequate security for the loans, substantial delays could be encountered in connection with the liquidation of NPLs. In the event of a default by a borrower, these restrictions as well as the ability of the borrower to file for bankruptcy protection, among other things, may impede the ability to foreclose on or sell the collateral or to obtain net liquidation proceeds sufficient to repay all amounts due on the related loan. In addition, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. Under certain circumstances, payments to the Funds and distributions by the Funds to the participating Limited Partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

### **Bank Loans**

The Funds' investment program may include investments in significant amounts of bank loans, assignments and participations. These obligations are subject to unique risks, including, without limitation: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) with respect to participations, limitations caused by the lack of privacy with the borrower for the Funds to directly enforce their rights against the borrower as well as limitations on the rights of a participant to vote on amendments and modifications of the credit documentation. In analyzing each bank loan, assignment or participation, Livia compares the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the Funds.

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### **Bankruptcy Claims**

The Funds may invest in bankruptcy claims which are amounts owed to creditors of companies in financial difficulty. Bankruptcy claims are illiquid and generally do not pay interest and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated by U.S. federal securities laws or the SEC. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, under certain circumstances, payments and distributions may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

### **Credit Default Swaps**

The Funds may invest in credit default swaps. A credit default swap is a contract which transfers the risk of loss if a company incurs a credit default, such as by failing to pay principal or interest on time or by filing for bankruptcy. In essence, an institution which owns corporate debt instruments can purchase a limited form of default protection by entering into a credit default swap with another bank, broker-dealer or financial intermediary. Upon an event of default, the swap may be terminated in one of two ways: (i) by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value, or (ii) by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference security less the price at which the reference security trades subsequent to default. The first way is the more common form of credit default swap termination.

In the manner described above, credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. The Funds may also “purchase” credit default protection even in the case in which it does not own the referenced instrument if, in the judgment of Livia, there is a high likelihood of credit deterioration.

The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Market curve, among other factors. As such, there are many factors upon which market participants may have divergent views. Livia may also enter into credit default swap transactions, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

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### **Non-Performing Nature of Debt**

It is anticipated that certain debt instruments purchased by Livia for the Funds 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.

### **Investing in High Yield Securities**

The Funds may invest in high-yield securities. Such securities are generally not exchange-traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, the Funds will invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

### **Equity Securities**

The Funds may invest in equity securities and equity derivative securities. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if it invests in equity instruments of issuers whose performance diverges from Livia's expectations or if equity markets generally move in a single direction and Funds have not hedged against such a general move. Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

### **MBS - General**

The investment characteristics of mortgage-backed securities ("MBS") differ from traditional corporate debt securities. Among the major differences between MBS and traditional corporate debt securities are that interest and principal payments are made more frequently, usually monthly, that payments are only made in respect of defined assets and that the principal typically may be prepaid at any time because the

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underlying loans or other assets generally may be prepaid at any time. Additional risks relating to investing in MBS may arise from the complexity of the MBS structure, variety and number of assets and quality of service providers responsible for managing monthly principal and interest payments on behalf of lenders.

### **Asset-Backed Securities**

The investment characteristics of asset-backed securities (“ABS”) differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time.

ABS are not secured by an interest in the related collateral. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of ABS backed by automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related ABS. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABS may not have a proper security interest in all of the obligations backing such ABS. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

The collateral supporting ABS is of shorter maturity than certain other types of loans and is less likely to experience substantial prepayments. ABS are often backed by pools of any variety of assets, including, for example, leases, mobile home loans and aircraft leases, which represent the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market’s perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

Additional risks relating to investing in ABS may arise from the complexity of the ABS structure, variety and number of assets and quality of service providers responsible for managing monthly principal and interest payments on behalf of lenders.

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### **Collateralized Debt Obligations**

The Funds may invest in collateralized debt obligations and collateralized loan obligations (collectively, “CDOs”). The Funds’ portfolio may include a variety of different types of products including CDO senior debt securities, mezzanine or junior debt securities and equity securities. CDO securities are subject to credit, liquidity and interest rate risks, which are each discussed in greater detail above. The CDO junior debt securities, and certain CDO junior equity, purchased by the Funds will most likely be unrated or non-investment grade. As holders of CDO equity, the Funds will have limited remedies available upon the default of the CDO. CDOs often invest in concentrated portfolios of assets. The concentration of an underlying portfolio in any one obligor would subject the related CDOs to a greater degree of risk with respect to defaults by such obligor and the concentration of a portfolio in any one industry would subject the related CDOs to a greater degree of risk with respect to economic downturns relating to such industry. The value of the CDO securities owned by the Funds generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO (“CDO Collateral”), general economic conditions, the condition of certain financial markets, political events, legislation and regulations, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of CDO securities must rely solely on distributions on the CDO Collateral or proceeds thereof for payment in respect thereof. If distributions on the CDO Collateral are insufficient to make payments on the CDO securities, no other assets will be available for payment of the deficiency and, following realization of the CDO securities, the obligations of such CDO to pay such deficiency generally will be extinguished. CDO Collateral may consist of securities which often are rated below investment grade (or of equivalent credit quality).

### **Commodities and Derivative Investments**

The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, the Funds’ assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

The Funds may buy or sell (write) both call options and put options, and when it writes options, it may do so on a “covered” or an “uncovered” basis. A call option is “covered” when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open

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short position in securities of the relevant class and amount. The Funds' option transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which the Funds have the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

In general, without taking into account other positions or transactions the Funds may enter into, the principal risks involved in options trading can be described as follows: When the Funds buy an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of the Funds' investment in the option (including commissions). The Funds could mitigate those losses by selling short, or buying puts on, the securities for which it holds call options, or by taking a long position (e.g., by buying the securities or buying calls on them) in securities underlying put options.

When the Funds sell (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered." If it is covered, the Funds would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Funds might suffer as a result of owning the security.

### **Short Selling**

Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Funds engage in short sales will depend upon Livia's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.



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### **Hedging Transactions**

The Funds may utilize financial instruments, both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of the Funds' investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Funds' unrealized gains in the value of the Funds' investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Funds' portfolio; (v) hedge the interest rate or currency exchange rate on any of the Funds' liabilities or assets; (vi) protect against any increase in the price of any securities the Funds anticipate purchasing at a later date; or (vii) for any other reason that the General Partner deems appropriate.

The success of the Funds' hedging strategy will depend, in part, upon the General Partner's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Funds' hedging strategy will also be subject to the General Partner's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if it had not engaged in such hedging transactions.

### **Leverage**

The Master Fund may, from time to time, leverage its capital because the Investment Manager believes that the use of leverage may enable the Master Fund to achieve a higher rate of return. Accordingly, the Master Fund may pledge its securities in order to borrow additional funds for investment purposes. The Master Fund may also leverage its investment return with options, short sales, swaps, forwards and other derivative instruments. The use of leverage may increase the losses of the Master Fund's portfolio.

## **Item 9: Disciplinary Information**

Livia has no legal or disciplinary events to report that would impact the evaluation by an investor or prospective investor or the integrity of our management.

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

None of Livia, its partners, members or employees are registered, nor do any of the foregoing have any application pending to register, with the SEC as a broker-dealer or a registered representative of a broker-dealer.

The Livia General Partner and the Gaius General Partner (the “General Partners”) are affiliates of Livia and each serves as general partner to their respective Funds. Livia, the General Partners, their members, principals, managers, affiliates and employees may engage in other activities, including providing investment management and advisory services to other accounts, and shall not be required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort of any of their officers, directors or employees to each Fund and its affairs. Livia, the General Partners, their members, principals, managers, affiliates and employees are not restricted from forming managed accounts or other investment Funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the Funds and/or may involve substantial time and resources. These activities could be viewed as creating a conflict of interest in that the time and effort of Livia, the General Partners, their members, principals, managers, affiliates and employees will not be devoted exclusively to the business of the Funds, but will be allocated between the business of the Funds and other business activities.

## **Item 11: Code of Ethics**

Livia has adopted a Code of Ethics (the “Code”) that obligates Livia and its covered persons to put the interests of Livia’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. In addition to compliance with Livia’s policies and procedures, all of Livia’s covered persons are also required to comply with applicable federal securities laws.

Clients or prospective clients may obtain a copy of the Code by contacting Livia’s Chief Compliance Officer.

Livia, in the course of its investment management and other activities, may come into possession of confidential or material non-public information. Livia 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. Livia maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that Livia is meeting its obligations to clients and remains in compliance

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with applicable law. As a result of these and other circumstances, Livia maintains a 'Restricted List' containing the names of issuers whose securities are not eligible for purchase or sale on behalf of covered persons and/or Client Accounts.

Livia recognizes the potential conflict when employees of an investment adviser make transactions in their personal securities accounts. Livia reduces this risk by prohibiting employees from transacting in reportable securities except in limited circumstances as prescribed within the Code. As a general matter, Livia's covered persons must pre-clear all transactions in reportable securities in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction would have an adverse impact on Livia's clients. All of Livia's covered persons are required to provide account statements on at least a quarterly basis or alternatively to disclose their securities transactions on a quarterly basis. Livia's covered persons are also required to provide holdings reports upon the commencement of their employment with Livia and on an annual basis thereafter. Trading in employee accounts is reviewed by the Chief Compliance Officer in order to reasonably prevent conflicts of interest between Livia and its investors.

### **Principal and Cross Transactions**

It is Livia's policy that the Firm will not affect any principal or agency cross securities transactions for client accounts.

## **Item 12: Brokerage Practices**

Livia has full discretionary authority to manage client assets, including the decisions as to which securities are bought and sold, the broker used to execute transactions, the amount and price of those securities as well as the commissions to be paid. Livia considers a number of factors in selecting a broker or dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker or dealer's compensation. Such factors include the financial stability and creditworthiness of the broker or dealer; willingness and ability of a counterparty to make a market in the securities or other financial instruments; the actual executed price of the security or other financial instrument and the commission rates/dealer spreads; research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial and other services provided by such brokers and/or dealers that are expected to enhance Livia's general portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle difficult transactions; market knowledge; and the operational facilities of the brokers and/or dealers involved (including back office efficiency and ability to communicate and settle trades reliably). In selecting brokers or dealers to execute transactions, Livia need not solicit competitive

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bids and does not have an obligation to seek the lowest available commission or dealer spread. It is not Livia's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker or dealer which are included in the commission or spread.

### **Soft Dollar Arrangements**

Livia does not currently participate in any soft dollar arrangements. In the future, Livia may receive research or other products or services other than execution from a broker or dealer in connection with transactions by the Funds. This is known as a "soft dollar" relationship. To the extent Livia enters into soft dollar arrangements in the future, Livia will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. Livia and its related persons did not acquire any products or services with client brokerage commissions (or markups or markdowns) within its last fiscal year.

From time to time Livia may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a Fund or recommend the Funds. Livia may place portfolio transactions for the Funds with firms who have made such recommendations or provided capital introduction opportunities or other consulting assistance services to Livia, if Livia determines that it is otherwise consistent with seeking best execution. In no event will Livia select a broker-dealer as a means of remuneration for recommending Livia or any Fund managed by Livia (or an affiliate) or affording Livia with the opportunity to participate in capital introduction programs or providing consulting assistance services.

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Livia currently does not recommend, request or require that a client direct Livia to execute transactions through a specified broker-dealer, nor does Livia permit clients to direct Livia to transact with a specific broker.

### **Trade Aggregation and Allocation**

Livia understands that it has a fiduciary duty to clients by allocating securities involving more than one client in a fair and equitable manner. Given that the Livia Funds are managed as a single pool of assets under a single strategy, with substantially all trading activity conducted through the Master Fund, trade allocation is not applicable to the Firm at this time.

Upon funding the Livia Funds, the Gaius Funds will no longer be actively traded.

### **Trade Errors**

If it appears that a trade error has occurred, Livia will review the relevant facts and circumstances to determine the appropriate course of action. To the extent that material trade errors occur, Livia's error correction procedure is to ensure that clients are treated fairly. Livia has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a client account incurs a trade error as a result of Livia's gross negligence, willful misconduct or violation of the standard of care that is applicable to the client account, Livia will reimburse the client account. Trade errors that do not result from Livia's gross negligence, willful misconduct or violation of the standard of care that is applicable to the client account are borne by the client account.

## **Item 13: Review of Accounts**

Portfolio reviews are primarily conducted by the Principals on a regular basis. The Principals continuously review investments in the Funds' portfolio to ensure that such Funds' investments are consistent with the investment objectives, philosophy, strategy and methodologies as set forth in such Funds' offering documents.

Monthly capital statements will be prepared and sent to each investor by the Administrator summarizing the investor's individual performance in the Livia Funds. Quarterly performance updates, in the form of investor letters, for the Livia Funds will be distributed by Livia.

On an annual basis, each investor receives a copy of the applicable Funds' audited financial statements and tax reporting information. Livia also provides additional information as requested by investors provided that such requests are deemed

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reasonable in content and scope and that Livia is prepared to supply the same level of information to other investors who may ask for similar information.

## **Item 14: Client Referrals and Other Compensation**

Livia does not receive any economic benefit from anyone who is not a client nor do we compensate anyone for client referrals.

## **Item 15: Custody**

Livia does not maintain physical possession of client cash and/or securities. However, as the investment manager and the General Partners for each of the Funds, Livia does have access to cash and securities in the Funds, along with the authority to perform various acts that may be deemed to result in custody, as defined under Rule 206(4)-2 of the Advisers Act.

Consistent with the requirements under the Advisers Act, the assets of the Funds are held in an account maintained with one or more of our prime brokers, who are “qualified custodians” within the meaning of the Advisers Act. Our prime brokers are registered broker-dealers that hold Fund assets in separate accounts (or in a separate customer account with records identifying the assets of the Funds in accordance with applicable broker-dealer and custodial bank regulation).

The financial statements of the Funds are audited annually (in accordance with GAAP) by an independent public accounting firm that is registered with, and subject to regular inspection by, the PCAOB (the Public Company Accounting Oversight Board).

Copies of the audited financial statements are independently distributed to each of the investors in each Fund within 120 days of such Funds’ fiscal year end. Each investor should carefully review these statements upon receipt.

## **Item 16: Investment Discretion**

Livia has full discretionary authority over all assets it manages pursuant to investment management agreements. Discretion is exercised in a manner consistent with the investment objectives and strategies described in the investment management agreements and confidential offering memorandums.

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## **Item 17: Voting Client Securities**

Livia has proxy voting authority with respect to the Funds. In accordance with Rule 206(4)-6, we have adopted policies and procedures which are reasonably designed to ensure that proxies are voted in the best interests of our Funds/investors, to include addressing any material conflicts of interest, disclosure, and maintenance of books and records related to proxy voting.

Although Livia invests in accordance with an investment strategy, which does not generally include investments in equity securities and other financial instruments that have voting rights, to the extent Livia has been delegated proxy voting authority on behalf of its clients, Livia complies with its proxy voting policies and procedures that are designed to ensure that in cases where Livia votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. In fulfilling its obligations to advisory clients, Livia seeks to act in a manner that will enhance the economic value of the underlying securities held by each Client. Clients are not permitted to direct their votes in a particular solicitation.

If a material conflict of interest between Livia and a client exists with respect to voting proxies, Livia will determine whether voting in accordance with the guidelines set forth in its proxy voting policies and procedures is in the best interests of the client.

Clients/Investors may obtain copies of the Proxy Voting Policy and/or voting records of how the firm voted on behalf of their account by contacting the Chief Compliance Officer.

## **Item 18: Financial Information**

Registered investment advisers are required to provide certain financial information or disclosures about their financial condition. Livia has no financial commitment that impairs its ability to meet contractual or fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.