

# BLACKSTART CAPITAL

## Form ADV Part 2A - BROCHURE

January 18, 2018

### Blackstart Capital LP

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**This brochure provides information about the qualifications and business practices of Blackstart Capital LP (“Blackstart” or “the Manager”). If you have any questions about the contents of this brochure, please contact us at 646-661-4853.**

**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. Blackstart is registered as an investment adviser with the SEC. Registration as an investment adviser does not imply a certain level of skill or training. Additional information about Blackstart Capital LP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Item 2.    **Material Changes:**

This Item summarizes material changes to the initial Brochure, dated March 16, 2017.

Since the initial Brochure, the Manager moved its office to One Penn Plaza, Suite 2012, New York, NY 10119. This is only a summary of material changes. Other non-material changes were also made to this Brochure.

Item 3.    **Table of Contents:**

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**Item 4. Advisory Business**

Blackstart Capital LP is an investment adviser with its principal place of business in New York, New York. The general partner of the Manager is Blackstart Capital GP LLC. Brian Olson, Baehyun Sung and Jamie Waters are the principal owners of the Manager.

The Manager provides investment management services to, and has discretionary investment authority over the assets of, pooled investment vehicles (collectively referred to as the “Blackstart Funds”). Blackstart GP LLC (the “General Partner”) is a related entity of the Manager and serves as the general partner to certain Blackstart Funds. The investors in the Blackstart Funds will collectively be referred to as the “Investors”.

The Manager also serves as a sub-advisor to unaffiliated investment advisers of privately placed pooled investment vehicles (collectively referred to as the “Sub-advised Funds”). Pursuant to a sub-advisory investment management agreement, the Manager has discretionary trading authority to provide investment management services to these third-party advisers. The Blackstart Funds and the Sub-advised Funds will be collectively referred to as the “Clients” or as the “Funds.”

The Manager provides advice to the Clients based on specific investment objectives and strategies set forth in the Client’s offering documents or sub-advisory agreements. The Manager does not tailor advisory services to the individual needs of Investors. Investors may not impose restrictions on investing in certain securities or certain types of securities.

As of December 31, 2017, the Manager managed \$465,893,742 in regulatory assets under management on a discretionary basis.

## Item 5. Fees and Compensation

### Advisory Fees

With respect to certain Funds, the Adviser charges each Fund an investment management fee based on the value of the Fund's assets under management ranging from 1% to 2% on an annualized basis. In the case of the Blackstart Funds, Management fees are paid quarterly in advance and adjusted for contributions or subscriptions and withdrawals or redemptions made during each quarter. In the event of a withdrawal or redemption from a Blackstart Fund other than the end of a quarter, any Management Fees will be pro-rated and the excess returned to the withdrawing or redeeming Investor. With respect to the Sub-advised Funds, payment of the Management Fees is subject to the terms of the respective sub-advisory agreement.

Additionally, the Manager or the General Partner may be paid a performance-based allocation or fee with respect to certain Funds, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of the Fund. This compensation ranges from 10% to 20% of the net profits of the Fund, subject to a loss carryforward provision. Performance-based allocations or fees are generally allocated or paid at the end of each fiscal year or shortly thereafter.

The Manager and/or its affiliates may, in their sole discretion, elect to reduce, waive or calculate differently the performance-based allocation or fee, or the management fee with respect to any Investor, including, without limitation, an Investor that is a partner, member or employee of the Manager, the General Partner or their respective affiliates, such person's family members and trusts or other entities established for the benefit of such person or his or her family members.

The management fee and any performance-based compensation will be paid pursuant to instructions from the Manager to the Blackstart Funds' custodians to deduct it from the Funds' account. The management fee and any performance-based compensation from the Sub-advised Funds will be paid pursuant to agreements in force with the Sub-advised Funds. Investors do not have the ability to choose to be billed directly for fees incurred. Management fees and performance-based fees or allocations are described in greater detail in the offering documents of the Blackstart Funds or the sub-advisory agreement of the Sub-advised Funds.

### Expenses

The Manager will be responsible for its overhead expenses including: office rent; furniture and fixtures; stationery; secretarial/internal administrative services; salaries and bonuses; entertainment expenses; employee insurance and payroll taxes.

In the case of the Blackstart Funds, all other expenses are paid by the Funds and are allocated generally, in a pro-rata fashion, based on asset size of each fund, to the extent an expense is incurred by multiple Funds. The expenses shall include: the management fee; legal, fund-specific compliance expenses, administrator, audit and accounting expenses (including third party accounting services); organizational expenses; investment expenses such as commissions, research fees and expenses (including Bloomberg and similar

subscriptions and data services and research related travel); interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; Fund-related insurance costs (including D&O and E&O insurance for the Manager and the General Partner and outside directorship liability); expenses of regulatory compliance, filings and reporting (including but not limited to Form PF); and any other expenses related to the purchase, sale or transmittal of Fund assets. The Blackstart Funds' assets may be invested in money market mutual funds, ETFs or other registered investment companies. In these cases, the Blackstart Funds will bear their pro rata share of the investment management fee and other fees of the fund, which are in addition to any fees or other compensation paid to the Manager. In addition, the Blackstart Funds will incur brokerage and other transaction costs. Please refer to Item 12 of this Firm Brochure for a discussion of the Manager's brokerage practices.

Expenses borne by the Sub-advised Funds may differ from the above arrangement and are subject to the terms of the sub-advisory agreements governing each Sub-advised Fund. The effect of those agreements may be such that the Sub-advised Funds do not bear the same costs that are incurred by the Blackstart Funds. In all such cases where the Sub-advised Funds do not bear all of the costs listed above, the Manager shall bear the costs of such expenses on behalf of the Sub-advised Funds absorbing a pro-rata share of such costs based upon assets under management of each Client.

The allocation of expenses by the Manager between it and any Client and among Clients represents a conflict of interest for the Manager. The Manager has adopted an expense allocation policy that is designed to address this conflict. The Manager allocates expenses to each Client in accordance with the Client's arrangements with the Manager (including applicable Client disclosures). The Manager seeks to allocate shared expenses for products and services benefitting the Manager and the Client and not covered in the Client's arrangements in a fair and reasonable manner. The Manager generally allocates common Client expenses among multiple Clients pro rata based on assets under management.

More detailed information regarding the fees and expenses paid by the Blackstart Funds may be found in the offering documents of the Blackstart Funds.

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

The Manager or the General Partner is entitled to be paid performance-based fees from the Clients. The fact that affiliates of the Manager are compensated based on the net capital appreciation of the Clients may create an incentive for the Manager to make investments on behalf of the Clients that are riskier or more speculative than would be the case in the absence of such compensation. The varying performance-based fees that are charged each Fund may also provide an incentive to favor one Client over another. Additionally, since the performance-based compensation will be determined on both realized and unrealized gains, the Manager or its affiliates may receive performance-based compensation reflecting unrealized gains at the end of a year that are not subsequently realized by the Clients.

The Manager manages multiple Client accounts. Accordingly, the Manager has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with different fee arrangements, and the allocation of investment opportunities. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies.

It is the Manager's policy to allocate investment opportunities equitably. Currently, pursuant to the Manager's "Aggregation and Allocation Policy", the Manager allocates investments across Funds on a pro-rata basis based on assets under management from each Fund, provided, however that the Manager may allocate investment opportunities to such accounts on a non-pro rata basis due to a consideration of factors including but not limited to enhanced leverage or Client investment restrictions. Specifically, Blackstart Partners Enhanced LP and Blackstart Offshore Enhanced Ltd, (together "the Enhanced Funds") are levered funds and accordingly are allocated investments as if assets under management for them was 150% - 200% of the assets that were actually invested in each Fund. This serves to make the gains or the losses in the Enhanced Funds approximately 1.5 to 2 times larger than the gains or losses in the other Blackstart Funds.

To the extent orders are aggregated, the Client orders are price-averaged and allocated in accordance with the aggregated order; provided, that the aggregated order may be allocated on a different basis for reasons including but not limited to partially filled orders and to avoid odd lots or excessively small allocations. These areas are monitored by the Manager's Chief Compliance Officer.

**Item 7.**     **Types of Clients**

The Manager provides investment management services to the Funds, which are privately placed pooled investment vehicles. Any initial and additional subscription minimums with respect to investment in a Fund are disclosed in the offering memorandum for each Fund.



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

**METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

The Manager will employ a long/short equity strategy, investing primarily in North American utilities, power and related infrastructure sectors. The Clients will be managed by the Manager with a concentrated strategy with a deep-dive fundamental analysis approach to companies and markets.

While it is anticipated that the Clients will invest primarily in stocks, bonds, futures and options, the Clients have broad and flexible investment authority. Accordingly, the Clients' investments may at any time include, without limitation, long or short positions in U.S. or non-U.S. publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights, corporate debt, bonds, notes or other debentures or debt participations, convertible securities, fixed income securities, swaps, options (purchased or written), futures contracts, commodities, forward contracts and other derivative instruments, partnership interests and other securities or financial instruments including those of investment companies. Notwithstanding the foregoing, the Manager is under no obligation to pursue all investment strategies or financial instruments available to it at any one time and may choose from time to time to restrict its trading to a limited set of financial instruments in the interests of best achieving its investment objectives for all of its Clients.

The Manager intends to pursue the investment strategy described above as long as such strategy is in accordance with the Clients' investment objective. In addition, it may also formulate and implement new approaches to carry out the investment objective of the Clients.

The Clients may also invest in new issues, provided that the Clients first comply with all of the rules and regulations pertaining to such investments, including the Rules of the Financial Industry Regulatory Authority, Inc. Finally, the Manager may cause the Clients to utilize leverage.

The specifics of the Manager's research process with respect to the Blackstart Funds are described in greater detail in each Fund's offering documents.

**RISK FACTORS**

The following summary identifies the material risks related to the Manager's significant investment strategies and should be carefully evaluated before making an investment with the Manager; however, the following does not intend to identify all possible risks of an investment with the Manager or provide a full description of the identified risks.

An investment in the Funds may be deemed to be highly speculative investment and is not intended as a complete investment program. It is designed only for sophisticated persons who are able to bear the economic risk of the loss of their entire investment and who have a limited need for liquidity in such investment. Fund Investors should refer to a Fund's governing documents for a complete understanding of the Manager's investment strategies and methods of analysis. The information contained herein is a summary only and is qualified in its entirety by such documents.

### *Nature of Investments*

The Manager has broad discretion in making investments for the Clients. Investments will generally consist of equities, bonds, futures and options and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Manager will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Clients' activities and the value of its investments. In addition, the value of the Clients' portfolio may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that the Clients' investment objective will be achieved.

### *Utility Industry Risks*

The Clients' investment portfolio will contain a high proportion of securities in the electric and gas utility sectors. The risks associated with the long side of the portfolio of electric utility companies include those involving the construction, operation and licensing of nuclear power plants, including the risk of nuclear accident. The market value of the stock of electric and gas utility companies also may be adversely affected by inadequate rate increases from regulatory agencies. Conversely, the short side of the portfolio is subject to different risks, which might cause the price of the securities to rise, such as higher than expected dividends, unexpectedly positive regulatory changes, merger, takeover or acquisition and lower interest rates. Other risks of electric and gas utilities include their sensitivity to changes in interest rates, their continuing requirements for raising additional capital and their obligation to comply with environmental and other governmental mandates.

### *Investments in the Energy Sector*

Since the Clients may at times invest in the energy infrastructure sector, the value of the Clients' portfolio may be vulnerable to factors affecting the energy and natural resources industries, such as increasing regulation of the energy and natural resources sectors by both the U.S. and non-U.S. governments, developments in the energy and natural resources sectors and conservation incentives. Increased energy and natural resources regulations may, among other things, increase compliance costs and affect business opportunities for the companies in which the Clients invest.

### *Availability of Investment Opportunities*

Certain markets in which the Clients may invest are extremely competitive and, as a result, there can be no assurance that the Manager will be able to identify or successfully pursue attractive investment opportunities for the Clients in such markets. Competition for suitable investments from other pooled investment vehicles, the public equity markets and other investors, among other factors, may reduce the availability of investment opportunities. There has been significant growth in the number of firms organized to make investments in such markets, resulting in increased competition to the Clients in pursuing suitable investment opportunities.

### *Equity-Related Instruments in General*

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

### *Futures Contracts*

The use of futures is a specialized activity that involves investment strategies and risks different from those associated with ordinary portfolio securities transactions, and there can be no guarantee that their use will increase the Clients' return or not cause the Clients to sustain large losses. While the use of these instruments by the Clients may reduce certain risks associated with portfolio positions, these techniques themselves entail certain other risks. The Clients could experience losses if the values of its futures positions were poorly correlated with its other investments, or if it could not close out its positions because of an illiquid market. In addition, the Clients will incur transaction costs, including trading commissions, in connection with its futures transactions and these transactions could significantly increase the Clients' investment turnover rate. There is no assurance that a liquid secondary market will exist for futures contracts or options purchased or sold, and the Clients may be required to maintain a position until exercise or expiration, which could result in losses. Many futures exchanges limit the amount of fluctuation permitted in contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. Contract prices could move to the daily limit for several consecutive trading days permitting little or no trading, thereby preventing prompt liquidation of futures and options positions and potentially subjecting the Clients to substantial losses.

### *Options*

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

### *Debt Securities*

The Clients may take positions in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Clients may take positions in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Clients may invest in securities which are moral obligations of issuers or subject to

appropriations. The Clients will therefore be subject to credit and liquidity risks.

### *U.S. Government Securities*

The Clients may invest in U.S. Government securities. Generally, these securities include U.S. Treasury obligations and obligations issued or guaranteed by U.S. Government agencies, instrumentalities or sponsored enterprises. U.S. Government securities also include Treasury receipts and other stripped U.S. Government securities, where the interest and principal components of stripped U.S. Government securities are traded independently. These securities are subject to market and interest rate risk. The Clients may also invest in zero coupon U.S. Treasury securities and in zero coupon securities issued by financial institutions, which represent a proportionate interest in underlying U.S. Treasury securities. A zero coupon security pays no interest to its holder during its life, and its value consists of the difference between its face value at maturity and its cost. The market prices of zero coupon securities generally are more volatile than the market prices of securities that pay interest periodically.

### *Derivatives*

To the extent that the Clients invests in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions or, in certain circumstances, non-U.S. securities, the Clients may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of the Clients, and hence the Clients should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

### *Use of Leverage*

The Clients may utilize leverage. This results in the Clients controlling substantially more assets than the Clients have equity. Leverage increases the Clients' returns if the Clients earns a greater return on investments purchased with borrowed funds than the Clients' cost of borrowing such funds. However, the use of leverage exposes the Clients to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Clients not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Clients' cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the Clients' assets, the Clients might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

In an unsettled credit environment, the Manager may find it difficult or impossible to obtain

leverage for the Clients. In such event, the Clients could find it difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the Manager being forced to unwind the Clients' positions quickly and at prices below what the Manager deems to be fair value for such positions.

#### *Short Sales*

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Clients' portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

#### *Hedging Transactions*

The Clients may utilize a variety of financial instruments such as derivatives, options, swaps, caps and floors, futures and forward contracts for both risk management and general investment and speculation purposes. With respect to the Clients' risk management and hedging transactions, there can be no assurances that a particular hedge is appropriate, or that a certain risk is measured properly. Further, while the Clients may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Clients than if they did not engage in any such hedging transactions. In addition, the Clients may choose not to enter into hedging transactions with respect to some or all of their positions.

#### *Lack of Diversification*

Although the Clients have no investment restrictions with respect to types of securities, countries or industry sectors, the Clients' portfolio may not be as diversified as other investment vehicles. Accordingly, the Clients' portfolio may be subject to more rapid change in value than would be the case if the Client were required to maintain a wide diversification.

#### *Portfolio Turnover*

The investment strategy of the Clients may require the Manager to actively trade the Clients' portfolio, and as a result, turnover and brokerage commission expenses of the Clients may significantly exceed those of other investment entities of comparable size.

#### *Counterparty Risk*

To the extent that the Clients invests in swaps, "synthetic" or derivative instruments, repurchase agreements, forward contracts, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. securities, the Clients take the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions that generally are supported by guarantees of clearing organizations, daily mark-to-market and settlement, and segregation and

minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

#### *Lack of Liquidity of Fund Investments*

While the Manager expects the vast majority of the Clients' portfolio to be liquid, Client assets may, at any given time, include securities and other financial instruments or obligations that are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments.

#### *Limited Withdrawal and Transfer Rights*

An Investor generally will be permitted to withdraw all or any part of its capital account only in accordance with the terms described herein. Transfers of the Investor interests will be permitted only with the written consent of the Manager or General Partner. Accordingly, interests in the Funds should only be acquired by investors willing and able to commit their funds for an appreciable period of time.

#### *Reliance on the Managing Members*

The Clients rely heavily on the services of the principals of the Manager, Brian Olson, Baehyun Sung and Jamie Waters. Messrs. Olson, Sung and Waters are responsible for all of the major decisions affecting the Clients. Should Messrs. Olson, Sung and Waters determine to discontinue managing the affairs of, or withdraw from, the Manager or should any of Messrs. Olson, Sung or Waters die, be incapacitated or, for some other reason, be unable to effectively manage the affairs of the Manager, the business and results of the operations of the Clients may be adversely affected.

#### Additional Risks Relating to the Manager

**Cybersecurity Risk.** The information and technology systems of the Manager and of key service providers to the Manager and its Clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Manager has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Manager to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Manager or its Client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

**Risk Management Failures.** Although the Manager attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no

assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Manager, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of Clients may be incomplete or altogether ineffective. Similarly, the Manager may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to Clients.

**Systems and Operational Risk.** The Manager relies on certain financial, accounting, data processing and other operational systems and services that are employed by the Manager and/or by third party service providers, including prime brokers, the third party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, the Manager and its Clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the Clients' operations. In addition, despite certain measures established by the Manager and third party service providers to safeguard information in these systems, the Manager, Clients and their third party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of the Client trading activities, liability under applicable law, regulatory intervention or reputational damage.

Item 9.    **Disciplinary Information**

This item is not applicable.



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

The General Partner, an affiliate of the Manager, claims an exemption from registration with the Commodity Futures Trading Commission (“CFTC”) as a Commodity Pool Operator pursuant to CFTC Rule 4.13(a)(3).

Each of the Blackstart Funds has and may in the future enter into additional agreements, or “side letters,” with certain prospective or existing Investors whereby such Investors including such persons that may be affiliated with the Manager or its related persons may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the applicable Blackstart Fund. For example, such terms and conditions may provide for special rights to make future investments in the applicable Blackstart Fund, other investment vehicles or managed accounts; special redemption rights, including those relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the Investor and/or other terms; rights to receive reports from the Blackstart Fund on a more frequent basis or that include information not provided to other Investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Blackstart Fund and such Investors. The modifications are solely at the discretion of the Blackstart Fund and may, among other things, be based on the size of the Investor’s investment in the Blackstart Fund or an affiliated investment entity, an agreement by an Investor to maintain such investment in the Blackstart Fund for a significant period of time, or other similar commitment by an Investor. In addition to side letters, the Manager may enter into sub-advisory agreements that grant rights to Sub-Advised Funds that are more advantageous than those set forth in the offering documentation for the Blackstart Funds.

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

Blackstart maintains a Code of Ethics (the “Code”) that describes its fiduciary duty to its Clients and sets standards for the business conduct of the Manager and of its employees, partners and all supervised persons (the “Personnel”).

The Code is based upon the premise that all of the Manager’s Personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service. The Code requires all Personnel to (1) comply with all federal securities laws and other applicable regulations; (2) observe all fiduciary duties and put Client interests ahead of those of Blackstart; (3) observe the Manager’s personal trading policies so as to avoid “front-running” and other conflicts of interests between the Manager and its Clients; (4) ensure that all personnel have read the Code, agreed to adhere to the Code, and are aware that a record of all violations of the Code will be maintained by the Chief Compliance Officer and that Personnel who violate the Code are subject to sanctions by the Manager, including termination.

Blackstart permits employees and their family members and dependents to engage in personal account trading subject to adherence to written policies and procedures contained in its Code and in the Manager’s Personal Trading Policy. All employees are required to pre-clear personal securities transactions (unless such transaction(s) is exempt from the pre-clearance and reporting obligations of the policy) prior to effecting them and to report transactions and holdings periodically. Employees and their related persons may not personally invest in the same securities that are purchased for Clients and may not own securities that are subsequently purchased for Clients. Blackstart’s Chief Compliance Officer monitors and enforces these policies through receipt of pre-clearance requests and account statements received from brokers and internal reporting obligations of all Personnel.

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

with employees of sell-side broker-dealers and other persons who may have access to material nonpublic information.

Clients or prospective clients may obtain a copy of the Code by contacting the Manager.

With respect to any principal transactions, the Manager discloses to the Client in writing before the completion of the transaction the capacity in which the Manager is acting with respect to this arrangement or relationship, and obtains the Client's consent to such transaction as required by Section 206(3) of the Investment Advisers Act of 1940, as amended.

The Manager's related persons may, and currently do, invest in private funds managed by the Manager and, in certain cases, may, in the aggregate, hold a substantial portion of a private fund's assets. Such investments pose a risk that the Manager or individuals who are in a position to control the allocation of investment opportunities to the Manager's Clients will favor those private funds in which the Manager's related persons invest. Additionally, the Manager's related persons have access to information that is not available to other investors in such private funds.

## Item 12. Brokerage Practices

The Manager is responsible for the placement of the portfolio transactions of the Clients and the negotiation of any commissions paid on such transactions. Portfolio securities normally are purchased through broker-dealers on securities exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio instruments through broker-dealers involve a commission to the broker-dealer. Purchases of portfolio securities from dealers serving as market makers include the spread between the “bid” and the “ask” price. The Manager will not commit to provide any level of brokerage business to any broker-dealer.

Securities transactions for the Clients are executed through broker-dealers selected by the Manager in its sole discretion and without the consent of the Clients. In placing portfolio transactions, the Manager will seek to obtain the best execution for the Clients, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of the order and difficulty of execution; the financial strength, integrity and stability of the broker-dealer; the broker’s risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other broker-dealers satisfying the Manager’s other selection criteria. Blackstart is not required to weigh any or all of these factors equally.

In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer’s compensation, the Manager need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Manager’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-dealer which are included in the commission rate. The Manager may cause a Client to pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. Consistent with its best execution practices, Blackstart will make a good faith determination that the amount of commission is reasonable in relation to the value of the research or brokerage services received, viewed in terms of either the specific transaction or the Manager’s overall responsibility to its Clients. The Manager regularly evaluates the brokerage services it receives and the reasonableness of commissions paid.

The receipt of brokerage and research products from broker-dealers through client commission payments is commonly referred to as “soft dollars.” Broker-dealers may provide products and services paid for through soft dollars either directly or through credits deposited into an account that may be used for research developed by the broker-dealer, third-party research and brokerage services. Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”), as amended, provides a safe harbor from liability for breach of fiduciary duties relating to the purchase of limited research or brokerage services using soft dollars so long as the products and services received constitute lawful and appropriate assistance and the amount indirectly paid for those products or services is reasonable. Blackstart does not currently receive any soft dollars other than proprietary research,

invitations to conferences and corporate access provided by the Clients' execution brokers. Blackstart does not currently have any commission sharing agreements in place.

If the Manager uses research or brokerage products or services, it intends to limit research and brokerage to those services included in the safe harbor under Section 28(e). Service within 28(e) are not limited to, research reports, and may include: 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; and clearance and settlement in connection with a trade.

Research and brokerage products and services may be used by the Manager in servicing some or all of the Manager's Clients. Clients may not, in any particular instance, be the direct or indirect beneficiaries of the research or brokerage provided. Certain Clients, who are the beneficiaries of research or brokerage, may have an investment style which results in the generation of a small amount of brokerage commissions due to a lack of active trading for their accounts. As a result, Clients who generate sizeable commissions may subsidize research or brokerage provided to Clients whose accounts generate minimal brokerage commissions since the commission dollars generated by transactions for such Clients are not sufficient to pay for research or brokerage that may be received by such Clients from other brokers.

When Blackstart uses Client commissions to receive Section 28(e) eligible research and brokerage services, we will periodically review our soft dollar practices to determine in good faith whether, with respect to research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the totality of the brokerage, research or other services received.

The use of Client commissions to obtain research, products or services raises conflicts of interest. For example, the Manager will not have to pay for such services itself. This may create an incentive for Blackstart to select a broker based on its interest in receiving such products and services.

The Manager may, in the future, obtain a product or service that is used, in part, by the Manager for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Manager will make a good faith effort to determine the relative proportion of the product or service used to assist the Manager in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be made based on the actual use of the product or service by the Manager's personnel. The proportion of the product or service attributable to assisting the Manager in carrying out its investment decision-making

responsibilities will be paid through brokerage commissions generated by Client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Manager from its own resources. The determination by the Manager of the appropriate allocation of “mixed use” products and services creates a potential conflict of interest between the Manager and Clients.

Blackstart does not receive Client referrals from any broker-dealer or third-party. Subject to its best execution obligations, the Manager may receive capital introduction and marketing assistance with respect to the referral of investors to certain Clients. This may present a conflict in providing the Manager with an incentive to select one broker-dealer based on receiving capital introduction services or marketing assistance. To address this conflict of interest, the Manager will execute Client trades through broker-dealers that refer Clients to the Manager only if it is determined by the Manager’s Chief Compliance Officer that Client trades with such broker-dealers are otherwise consistent with seeking best execution.

The Manager may aggregate purchase and sale held by Clients with similar orders being made simultaneously for other Clients if in Manager’s reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to its Clients based on an evaluation that the Clients will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of investments for the Clients will be effected simultaneously with the purchase or sale of like investments for all Client portfolios. In cases where trading or investment restrictions are placed on a Client’s account, the Manager may be precluded from aggregating that Client’s transaction with others. In such a case, the Client may pay a higher commission rate and/or receive less favorable prices than Clients who are able to participate in an aggregated order. When an aggregated order is completely filled, the Manager allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. To the extent an order is price-averaged, a Client participating in the trade may pay a higher price than if the Manager did not aggregate the order. If an aggregated order is only partially filled, the Manager’s procedures provide that the securities or proceeds are to be allocated in a manner deemed fair to Clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating Clients.

**Item 13. Review of Accounts**

The Manager regularly monitors and reviews the Clients' portfolios. Such reviews monitor the transactions, positions and investment level of the Clients' portfolios to ensure that they conform to the Client's investment objectives and guidelines.

Investors in the Blackstart Funds receive reports from the Fund pursuant to the terms of each Fund's offering documents. Investors in Sub-advised Funds receive reports from those funds pursuant to the terms of each Sub-advised Fund's offering documents. In addition, Investors in the Blackstart Funds, receive audited financial statements concerning their respective Funds within 120 days of the end of the Funds' fiscal year.

The Manager may also provide to Investors interim written reports and letters that review the Client's performance.

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

The Manager receives certain research or other products or services from broker-dealers. The receipt of these “soft-dollar” items create an incentive for the Manager to select or recommend broker-dealers based on the Manager’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Manager on behalf of its Clients. Please see Item 12 for further information on the Manager’s “soft-dollar” practices, including the Manager’s procedures for addressing conflicts of interest that arise from such practices.



**Item 15. Custody**

The Manager or an affiliate of the Manager is deemed to have custody of the assets of one or more of the Blackstart Funds. In this regard, the Manager or its affiliate complies with Rule 206(4)-2 of the Investment Advisers Act of 1940 by meeting the conditions of the “pooled vehicle annual audit exception.” Such exception requires annual audited financial statements of the applicable Blackstart Fund, prepared in compliance with U.S. generally accepted accounting principles by an independent public accountant that is registered with, and subject to, regular inspection by the Public Company Accounting Oversight Board, to be sent to Investors in those Funds, within 120 days of the applicable Fund’s fiscal year end.

**Item 16. Investment Discretion**

The Manager has discretionary authority to manage securities accounts on behalf of its Clients in accordance with the investment management agreements it has entered into with the Funds it manages. Investors generally do not have the ability to place any limits on the Manager's authority beyond the limitations set forth in the applicable Fund's offering and governing documents. Prior to assuming full discretion in managing a Client's assets, the Manager will enter into an investment management agreement or other agreement that will set forth the scope of the Manager's discretion.

Unless otherwise instructed or directed by a discretionary client, Blackstart has the authority to determine: securities to be purchased and sold for the Client (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines); and the amount of securities to be purchased or sold for the Fund. Because of differences that may exist in Client investment objective, investment risk tolerances, tax status or other criteria, there may be differences among Clients in invested positions and securities held.

The Manager may consider the following factors, among others, in allocating securities among Clients: (i) a Client's investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on a Client's portfolio by the Client or by applicable law; (iv) size of the Client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Manager's policy to allocate investment opportunities to eligible Client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Manager to allocate securities to Client accounts in varying amounts. Even Client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Allocations will be made among Client accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when the Manager determines in its discretion that a pro rata allocation is not appropriate, which may include a Client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a Client's status as a "restricted person" under applicable regulations.

If it appears that a trade error has occurred, the Manager will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors occur, the Manager's error correction procedure is to ensure that Clients are treated fairly. The Manager has discretion to resolve a particular error in any manner that it deems appropriate and consistent with the above stated policy and consistent with Client agreements with respect to trade errors. With respect to one or more of the Blackstart Funds, in the event that the Fund incurs a trade error as a result of the Manager's gross negligence, willful misconduct or violation of the standard of care that is applicable to the Fund, the Manager will reimburse the Fund. The Manager is not responsible for the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by the Manager.

To the extent the Manager has authority, pursuant to the investment management agreement or other governing documents of a Client account, to participate in class action claims (each, a “Claim”) it will do so on a case-by-case basis. Once the Manager receives a Claim, the Manager or its designee, with the assistance of a third party service provider retained to process Claims will determine whether any Clients or former clients of the Manager owned the security during the period covered by the Claim. Appropriate personnel of the Manager or the Manager’s designee will determine whether they agree with the basis of the Claim and whether or not to participate in the Claim depending upon (i) the nature of the Claim; (ii) prospects for recovery; (iii) resources required to pursue the Claim, (iv) other relevant factors pertaining to the particular Claim and (v) any other factors that the Manager deems relevant. To the extent the Manager receives proceeds from a Claim on behalf of a Client, including a private fund, the Manager’s general policy is that only current Clients or Investors at the time of receipt of the proceeds will participate in the proceeds. The Manager may under certain circumstances elect not to participate in the proceeds of a Claim.

**Item 17. Voting Client Securities**

To the extent the Manager has been delegated proxy voting authority on behalf of its Clients, the Manager complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Manager votes proxies with respect to Client securities, such proxies are voted in the best interests of its Clients.

The Manager will determine whether a proposal is in the best interests of the Client and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Manager's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

In limited circumstances, we may refrain from voting when in the reasonable opinion of the Manager, the outcome of the vote most likely will not be determined by how the Manager may vote and thus the cost of voting appears to exceed the potential benefit to the Client; or when the subject of the vote does not appear likely to have a material impact on the value of the investment held by the Client.

Investors in the Funds are not permitted to direct their votes in a particular solicitation.

It is possible that a conflict of interest may arise with respect to a proxy vote between the interests of the Clients and the Manager and its affiliates, or among the Manager's Clients. If a material conflict of interest exists, the Manager 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 Clients or take some other appropriate action.

Clients may obtain a copy of the Manager's Proxy Voting Policy and proxy voting record by contacting the Manager.

**Item 18. Financial Information**

This item is not applicable.