

Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page

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This Brochure provides information about the qualifications and business practices of Arbour Lane Capital Management LP (the “**Adviser**” or “**we**”). If you have any questions about the contents of this Brochure, please contact us by telephone at (203) 487-8555 or by email at jklein@arburlanecapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Additional information about the Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

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

Item 2 Material Changes

This amendment to the Brochure provides an update to the following:

1. The Adviser's Chief Compliance Officer is Justin Klein;
2. The Adviser's new legal entity name is Arbour Lane Capital Management LP; and
3. Client assets under management as of the end of the Adviser's most recent fiscal year were approximately \$665,000,000.

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Item 4 Advisory Business

A. General Description of Advisory Firm

Arbour Lane Capital Management LP (the “**Adviser**”), a limited partnership formed under the laws of the State of Delaware, was formed on February 22, 2016. The Adviser’s principal place of business is in Stamford, Connecticut. The Adviser’s principal owners are Robert J. Franz, Kenneth D. Hoffman, and Dan L. Galanter.

B. Description of Advisory Services (including any specializations)

The Adviser currently provides investment supervisory services to a managed account (the “**Portfolio**”) on a non-discretionary basis.

The Adviser may also provide investment advice to private investment funds whose investors may include high net-worth individuals, other pooled investment vehicles, pension and profit-sharing plans, trusts, estates or charitable organizations, and other corporations or businesses and/or entities that are both “qualified purchasers” as defined in the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), and “accredited investors” as defined in the Securities Act of 1933, as amended (the “**Securities Act**”).

C. Availability of Tailored Services for Individual Clients

The Adviser provides advice to client accounts based on specific investment objectives and strategies. Under certain circumstances, the Adviser may agree to tailor advisory services to the individual needs of its managed account clients.

D. Wrap Fee Programs

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

E. Client Assets Under Management

As of December 31, 2017, the Adviser managed \$0 on a discretionary basis and approximately \$665,000,000 on a non-discretionary basis.

Item 5 Fees and Compensation

A. Advisory Fees and Compensation

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

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

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

B. Payment of Fees

The Portfolio is generally required to pay the Management Fee to the Adviser quarterly in advance with respect to each Fee Period. The Adviser currently does not have the power to directly deduct the Management Fee in advance from the Portfolio with respect to the relevant Fee Period by instructing the Portfolio’s custodian.

C. Other Fees and Expenses

In addition to bearing the Management Fee and, if applicable, the Carried Interest, the Portfolio will or may also be subject to other investment expenses such as: custodial charges, brokerage fees, commissions and related costs; interest expenses; indemnification expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other Portfolio or securities-related expenses; and costs, expenses and fees associated with products or services that may be necessary or incidental to such investments or accounts including, but not limited to, auditors, accountants, legal advisors and administrators.

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

D. Prepayment of Fees

The Portfolio is generally required to pay the Management Fee to the Adviser quarterly in advance with respect to each Fee Period. To the extent that the Adviser’s management (or comparable) agreement with respect to the Portfolio is terminated as of any date that does not constitute a full Fee Period, then the Management Fee payable to the Adviser with respect to such period will be prorated based on the actual number of days that the Portfolio assets were under the Adviser’s management during such Fee Period. The Adviser will promptly return any excess amounts paid to it by the Portfolio.

E. Additional Compensation and Conflicts of Interest

This Item is not applicable.

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

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

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

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably.

The performance of similarly managed accounts will also be regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities generally require that similarly managed accounts participate in investment opportunities *pro rata* based on asset size and require that, to the extent orders are aggregated, the client orders are price-averaged. Finally, the Adviser's procedures require the objective allocation for limited opportunities to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer. Further, the Adviser and its investment personnel will endeavor to devote such time to each client as they deem appropriate under the circumstances to perform their duties and obligations to each such client in accordance with applicable law and the Adviser's written agreement with each such client.

Item 7 Types of Clients

The Adviser currently provides investment advice to the Portfolio.

The Adviser may also provide investment advice to private investment funds whose investors may include high net-worth individuals, other pooled investment vehicles, pension and profit-sharing plans, trusts, estates or charitable organizations, and other corporations or businesses and/or entities that are both “qualified purchasers” as defined in the Investment Company Act and “accredited investors” as defined in the Securities Act.

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

A. Methods of Analysis and Investment Strategies

The Adviser utilizes a variety of methods and strategies to make disposition recommendations to the Portfolio. The Adviser utilizes historical bottom-up fundamental research analysis and its understanding of market technicals to identify and capitalize on disposition opportunities for the Portfolio's securities.

An investment in securities entails a high degree of risk with no certainty as to the magnitude or timing of the returns, if any, on a client's investment. Accordingly, an investment with the Adviser should be made only by clients who are able to bear the risk of loss of all capital invested. No guarantee or representation is made that the Adviser will be able to implement its investment strategy or achieve its targeted returns, if any, or that the overall investment program of the Adviser will be successful.

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

The ability of the Adviser to recommend the successful disposition of the Portfolio's securities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Portfolio's investments) and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of financial instruments' prices and the liquidity of the Portfolio's investments. Volatility or illiquidity could impair the Portfolio's profitability or result in losses. The Portfolio may maintain substantial positions that can be adversely affected by the level of volatility in the financial markets – the larger the positions, the greater the potential for loss.

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

The Portfolio consists primarily of United States assets in the credit, distressed and special situations space. In connection with the disposition of the Portfolio's securities discussed above, please find below a list of the primary types of securities that the Portfolio holds (as well as the attendant risks associated with each such security):

Equities

Equities may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. In particular, equity prices are directly affected by issuer specific events, as well as general market conditions.

Distressed Securities

Investment in the securities of financially troubled issuers and operationally troubled issuers involves a high degree of credit and market risk. There can be no assurance that such financially or operationally troubled issuers can be successfully transformed into profitable operating companies. There is a possibility that the Portfolio may incur substantial or total losses on its investments or that such investments may not show any return for a considerable period of time. Under such circumstances, the returns generated from the disposition of the Portfolio's securities may not compensate the Portfolio adequately for the risks assumed. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. In addition, it may be difficult to obtain information about financially troubled issuers and operationally

troubled issuers. Securities of financially troubled issuers and operationally troubled issuers are less liquid and more volatile than securities of companies not experiencing financial difficulties. The market prices of such securities are subject to erratic and abrupt market movements, and the spread between bid and asked prices may be greater than normally expected. In addition, it is anticipated that many of the Portfolio's investments may not be widely traded. As a result, the Portfolio may experience delays and incur losses and other costs in connection with the disposition of such securities.

Defaulted Securities

The Portfolio may hold the securities of companies involved in bankruptcy proceedings, reorganizations and financial restructurings and may have a more active participation in the affairs of the issuer than is generally assumed by an investor. This may subject the Portfolio to litigation risks or prevent the Portfolio from disposing of securities. In a bankruptcy or other proceeding, the Portfolio may be unable to enforce its rights in any collateral or may have its security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors.

Loans and Participations

The Portfolio may hold bank loans and participations. The special risks associated with these obligations include, but are not limited to, (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 issuers of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations, (iv) adverse consequences resulting from participating in such instruments with other institutions with lower credit quality and (v) with respect to participations, limitations on the ability of the Portfolio to directly enforce its rights, as well as an assumption of credit risk of the borrower and the grantor of the participation. The Portfolio may also hold assets in the secondary markets for loans. Such loans may be privately negotiated transactions, each of which has individualized terms. These positions may be illiquid and difficult to value. In addition, loans may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the borrower and general market liquidity.

Secured Loans

Certain loans held by the Portfolio may be secured. The Portfolio may be exposed to losses resulting from default and foreclosure on such loans. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. There can be no guarantee of the adequacy of the protection of the Portfolio's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, there can be no assurance that claims will not be asserted that might interfere with enforcement of the Portfolio's rights. In the event of a foreclosure, the Portfolio may assume direct ownership of the underlying asset. The liquidation proceeds upon the disposition of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the Portfolio. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

Special Situations Investments

The Portfolio may hold investments in special situation financings, including event-driven situations such as recapitalizations, debtor-in-possession and other financings, corporate and financial restructurings, acquisitions, divestitures, reorganizations or other situations in public or private companies. Such will typically have been made on a negotiated basis. These investments are complicated and an incorrect assessment of the downside risk associated with an investment could result in significant losses to the Portfolio.

Credit Analysis and Credit Risk

The disposition strategy to be utilized by the Adviser may require accurate and detailed credit analysis of issuers. There can be no assurance that the Adviser's analysis will be accurate or complete. The Portfolio may be subject to substantial losses in the event of credit deterioration or bankruptcy of one or more issuers in its portfolio of investments.

Operating and Financial Risks of Portfolio Investments

The Portfolio's return would be adversely impacted if an issuer of debt securities in which the Portfolio has invested becomes unable to make payments when due. Financial performance of such investments could deteriorate as a result of, among other factors, adverse developments in the issuer's businesses, changes in the competitive environment, or an economic downturn. As a result, such investments may operate at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress.

Item 9 Disciplinary Information

There is nothing to report under this Item.

Item 10 Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration Status

This Item is not applicable.

B. Commodities-Related Registration Status

This Item is not applicable.

C. Material Relationships or Arrangements with Industry Participants

This Item is not applicable.

D. Material Conflicts of Interest Relating to Other Investment Advisers

This Item is not applicable.

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

A. Code of Ethics

The Adviser has adopted a Code of Ethics (the “**Code**”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) that establishes the standard of business conduct that all employees must follow in upholding the Adviser’s fiduciary duty to its clients. The Code is designed to promote high ethical standards and sets forth internal policies and procedures designed to address and mitigate actual and potential conflicts of interest between the Adviser, its employees and the clients. All employees are required to certify annually that they have read, understand and agree to abide by the Code, including the insider trading policies and procedures set forth therein. The Code also establishes guidelines for the appropriate handling and containment of any material non-public information to which the employee may be exposed.

The Code also contains controls implemented by the Adviser designed to monitor and mitigate potential conflicts of interest, including specific policies to address, among other things, outside activities of employees, the prevention of insider trading and restrictions on the acceptance or offer of significant gifts.

Further, the Adviser has adopted a formal personal trading policy that imposes restrictions on employee trading of most securities without the approval of the Adviser’s Chief Compliance Officer, prohibits purchasing securities in an IPO, requires pre-clearance before purchasing securities in a limited offering (*i.e.*, a private placement) and requires periodic reporting of employees’ personal securities transactions and all holdings. The Adviser closely monitors the personal trading of employees and prohibits excessive personal trading. All employees are required to certify annually that they have read, understand and agree to abide by the Code and all policies and procedures set forth therein.

The client and prospective clients may obtain a copy of the Code by contacting the Adviser’s Chief Compliance Officer by email at jklein@arbourlanecapital.com. See below for further provisions of the Code as they relate to the pre-clearing and reporting of securities transactions by related persons.

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

This Item is not applicable.

C. Investing in Securities Recommended to Clients

This Item is not applicable.

D. Conflicts of Interest Created by Contemporaneous Trading

This Item is not applicable.

Item 12 Brokerage Practices

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

To the extent the Adviser uses broker-dealers or other intermediaries to effect the disposition of securities for the Portfolio, the Adviser will consider a number of factors in selecting such broker-dealers or intermediaries and determining the reasonableness of the broker-dealers' or intermediaries' compensation. Such factors may include net price, reputation, financial strength and stability, efficiency of execution and error resolution. In selecting a broker-dealer or an intermediary to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser'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.

1. Research and Other Soft Dollar Benefits

The Adviser currently does not, but may in the future, receive research or other products or services other than execution from a broker-dealer and/or a third party in connection with client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars", if any, 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, as amended ("**Section 28(e)**"). The use of "soft dollars" to purchase products or services that the Adviser might otherwise need to pay for with its assets may create a conflict of interest. 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.

If the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Chief Compliance Officer will periodically review and evaluate the Adviser's soft dollar practices to determine in good faith whether, with respect to any 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 brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

Where a particular service or product that a broker or dealer is willing to provide for soft dollars has not only a "research" application, but it is also useful to the Adviser for non-"research" purposes, the Adviser may allocate the cost of the product or service between its "research" and non-"research" uses and pay only the "research" portion with soft dollars. The Adviser's interest in making such an allocation may differ from clients' interests in that the Adviser has an incentive to designate as great a portion of the cost as

“research” as possible in order to permit payment with soft dollars. Where a particular service or product provides benefits to the Adviser’s clients and/or the Adviser itself, the Adviser may allocate the cost among the various persons who receive benefits.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients.

Research and brokerage services obtained by the use of commissions arising from a client’s portfolio transactions may be used by the Adviser in its other investment activities, including for the benefit of other client accounts. The Adviser does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

The Adviser may participate in “client commission arrangements” pursuant to which the Adviser may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to the Adviser. The Adviser excludes from use under these arrangements those products and services that are not eligible under Section 28(e) and applicable regulatory interpretations.

2. Brokerage for Client Referrals

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

B. Order Aggregation

This Item is not applicable.

Item 13 Review of Accounts

A. Frequency and Nature of Review

Either or both of Robert J. Franz and Kenneth D. Hoffman, on behalf of the Adviser, typically review the securities in the client's account on a daily basis to determine whether securities positions should be maintained in view of current market conditions. Generally, review of the client's account includes specific securities held, adherence to investment guidelines and account performance.

B. Factors Prompting a Non-Periodic Review of Accounts

Though the Adviser reviews client accounts on a regular basis, there are circumstances which prompt ad hoc reviews. Significant market events affecting the prices of one or more securities in client accounts, among other things, may trigger reviews of client accounts on other than a periodic basis.

C. Content and Frequency of Regular Account Report

The Portfolio will receive such monthly, quarterly and other reports as may be agreed to between the Adviser and the Portfolio. The reports may include a summary of assets, realized and unrealized capital gains and losses and anticipated and actual income generated by the Portfolio. Such reports may be delivered electronically to the Portfolio in accordance with the Portfolio's agreement with the Adviser. In addition, the Portfolio receives regular reports from its custodian.

Item 14 Client Referrals and Other Compensation

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

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

B. Compensation to Non-Supervised Persons for Client Referrals

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

Item 15 Custody

The Adviser does not have “custody” of client assets for purposes of Rule 206(4)-2 under the Advisers Act. The Portfolio maintains its accounts with its own qualified custodians and the Adviser currently does not have authority to deduct fees or other amounts from the Portfolio. The Portfolio receives account statements directly from its qualified custodians.

Item 16 Investment Discretion

The Adviser currently does not hold investment discretion with respect to the Portfolio's securities account.

Item 17 Voting Client Securities

The Adviser currently does not hold authority to vote securities with respect to the Portfolio's account.

If the Adviser does in the future accept authority to vote securities with respect to the Portfolio's account the Adviser's policy is to comply with Rule 206(4)-6 of the Advisers Act and act solely in the best interest of the Portfolio when exercising its voting authority. The Adviser determines whether and how to vote corporate actions and proxies on a case-by-case basis and will apply the following guidelines, as applicable:

- The Adviser will attempt to consider all aspects of the vote that could affect the value of the issuer or that of the Portfolio;
- The Adviser will vote in a manner that it believes is consistent with the Portfolio's stated objectives; and
- The Adviser will generally vote in accordance with the recommendation of the issuing company's management on routine and administrative matters, unless the Adviser has a particular reason to vote to the contrary.

Material Conflicts of Interest

The Adviser will not put its own interests ahead of those of any client and will resolve any possible conflicts between its interests and those of the client in favor of the client. In the event that a potential conflict of interest arises, the Adviser will undertake the below analysis.

A conflict of interest will be considered material to the extent that it is determined that the conflict has the potential to influence the Adviser's decision making in voting the proxy. If such a material conflict is deemed to exist, the Adviser will refrain completely from exercising its discretion with respect to voting the proxy and will instead refer that vote to an outside service for its independent consideration. If it is determined that any such conflict or potential conflict is not material, the Adviser may vote the proxy.

Item 18 Financial Information

This Item is not applicable.

Item 19 Requirements for State-Registered Advisers

This Item is not applicable.