

Cove Key Management LP

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This “**Brochure**” provides information about the qualifications and business practices of Cove Key Management LP. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Jeff Coviello, by email at Jeff@covekey.com or (516) 260-6100. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Cove Key Management LP is a registered investment adviser with the SEC. Registration as an investment adviser does not imply that Cove Key Management LP or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Cove Key Management LP is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Brochure is an annual amendment to Form ADV Part 2A last filed in March 2019.

The material changes to this Brochure since the last annual amendment filed in March 2019 relate to the removal of a separately managed account client that was managed on a non-discretionary basis, as well as the fact that the current private fund clients are no longer accepting additional capital.

The foregoing is a brief description of the material changes only; we recommend that you read the Brochure in its entirety.

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Item 4: Advisory Business

Cove Key Management LP is a Delaware limited partnership (hereinafter "**Cove Key**," "**we**," "**us**," "**our**," the "**Investment Manager**", or the "**Firm**") and is an affiliate of Cove Key GP Management LLC (the "**General Partner**") which serves as the general partner of the Firm. Mr. Jeff Coviello and Mr. John Kiani (together, the "**Principal Owners**") are the principal owners of Cove Key. The General Partner has ultimate management authority over all investments, asset dispositions, distributions and other affairs of the Firm. Cove Key commenced business in May 2016.

Cove Key serves as the investment adviser, with discretionary trading authority, to the following private pooled investment vehicles, the securities of which were once offered to qualified investors on a private placement basis: Cove Key Fund LP, a Delaware limited partnership (the "**Onshore Fund**"), Cove Key Offshore Fund Ltd., a Cayman Islands exempted company (the "**Offshore Fund**" and together with the Onshore Fund, the "**Feeder Funds**" or individually, the "**Feeder Fund**"); and Cove Key Master Fund LP, a Cayman Islands exempted limited partnership (the "**Master Fund**," and collectively with the Feeder Funds where applicable, the "**Fund**" or "**Funds**"). Cove Key Fund GP LP serves as the general partner of the Onshore Fund and Master Fund (the "**Fund General Partner**"). Cove Key also serves as the investment adviser, with discretionary trading authority, to a fund of one (the, "**Fund of One**") for a strategic investor (such investor, inclusive of its affiliates, the "**Strategic Investor**").

The Offshore Fund's "**Shareholders**" and the Onshore Fund's "**Limited Partners**" are hereafter collectively referred to as the "**Investors**" where appropriate. We will not tailor our advisory services to the individual needs of any particular investor, but have tailored our advisory services for the Fund of One and will tailor advisory services for any current or future separately-managed accounts and other funds of one (including those for the Strategic Investor) as established in the relevant governing documents for such accounts and funds of one (collectively, with the Fund of One, the "**Single Investor Clients**").

The objective of the Feeder Funds, by investing all of their investable assets in the Master Fund, and the Fund of One is to utilize the expertise and experience of the Investment Manager's research team to maximize long-term, risk-adjusted absolute returns principally through long/short equity and credit investments in the North American and European infrastructure, utilities, energy, master limited partnerships ("**MLPs**") and industrials sectors and related hedges. The goal is to compound principal over time with low volatility and low correlation to the broader equity and credit markets.

This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that U.S. persons be "accredited investors" as defined in Regulation D of the Securities Act of 1933, as amended, "qualified purchasers" as defined in the Investment Company Act of 1940, as amended, or "non-U.S. Persons" as defined in Regulation S. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.

Our investment decisions and advice with respect to each Fund and each Single Investor Client are subject to each Fund's and each Client's respective investment objectives and guidelines, as set forth in their respective offering documents or, in the case of a separately managed account, in the relevant account agreements. Single Investor Clients negotiate their own investment restrictions.

We do not currently participate in any Wrap Fee Programs.

As of December 31, 2019, we have regulatory assets under management of \$98,330,587 all of which is managed on a discretionary basis.

Item 5: Fees and Compensation

The fees applicable to each Fund and the Fund of One are set forth in detail in their respective governing documents. A brief summary of such fees is provided below.

Management Fee and Performance Allocation

Each of the Feeder Funds has had offered two series of limited partner interests in the Onshore Fund (the “**Interests**”) and shares of the Offshore Fund (the “**Shares**”): Founders Series Interests (“**Founders Series Interests**”) and Standard Investor Series Interests (“**Standard Investor Series Interests**”) with respect to the Onshore Fund and Founders Series Shares (“**Founders Series Shares**”) and Standard Investor Series Shares (“**Standard Investor Series Shares**”) with respect to the Offshore Fund. Other than with respect to Management Fees (as defined below) and Performance Allocations (as defined below), Founders Series Interests, Standard Investor Series Interests, Founders Series Shares and Standard Investor Series Shares have identical rights and obligations. However, Founders Series Interests and Founders Series Shares will only be available for an initial fundraising period determined by the Fund General Partner or the board of directors of the Offshore Fund (the “**Board**”), respectively. Currently, none of these Funds are open to new capital commitments.

Each of the Feeder Funds may create and offer various additional classes or series of Interests or Shares, as applicable, with different terms and conditions than those described herein, including, without limitation, management fees, performance allocations and withdrawal or redemption rights (each, a “**Series**”). New Series may be established by either Feeder Fund without notice to or approval of the Limited Partners or the Shareholders, as applicable.

For our services to the Master Fund, we are entitled to annual management fees, calculated and paid each calendar quarter in advance and equal to a percentage of the balance of each Limited Partner’s and Shareholder’s capital sub-account in the Master Fund (the “**Management Fees**”). Capital contributions accepted after the commencement of a calendar quarter are subject to a prorated Management Fee reflecting the time remaining during the quarter. The Management Fee is calculated and charged at the Master Fund level and borne by the Limited Partners and the Shareholders as a deduction to their capital sub-accounts in the Master Fund. No separate management fee will be charged at the Feeder Fund level. Prospective investors should review the offering documents of the relevant Feeder Fund for more information on the Management Fees. If a Limited Partner or Shareholder withdraws during a calendar quarter (which is generally not permitted), we will refund a pro rata portion of the Management Fee applicable to the withdrawn capital for that quarter, based on the actual number of days remaining in the calendar quarter divided by the total number of days in the calendar quarter.

For our services to the Fund of One, we are entitled to an annual management fee equal to a fixed amount payable in quarterly increments in advance and debited from the capital account of its single limited partner. If the Fund of One is dissolved during a calendar quarter, we will refund, or use to offset other amounts owed by the investor, a pro rata portion of the management fee based on the actual number of days remaining in the calendar quarter divided by the total number of days in the calendar quarter.

The Fund General Partner also receives a performance allocation from the Fund of One and the Funds, which, with respect to the Funds, is taken at the Master Fund level and charged to each Limited Partner's and Shareholder's capital sub-account in the Master Fund, and with respect to the Fund of One and the Funds, is based on the annual net realized and unrealized profits of the Fund of One's capital account or such Limited Partner's or Shareholder's capital sub-account, respectively, subject to a "high water mark" limitation, each as more fully described in the Fund of One's and each Fund's offering documents. If a Limited Partner or Shareholder withdraws capital, the performance allocation applicable to the withdrawn interest is calculated and paid as of the date of the withdrawal and any associated high water deficit is ratably reduced.

In Cove Key's sole discretion, the Management Fee and performance allocation may be waived, reduced or calculated differently with respect to certain Investors. In addition, Single Investor Clients negotiate their management fees and method of payment, if applicable. The General Partner, Mr. Kiani and Mr. Coviello (and other investors affiliated with the General Partner and the Investment Manager) will not bear Management Fees or any performance allocation.

The Strategic Investor will share in the Management Fee and the Performance Allocation (as defined below) and any other fees or performance-based incentive payments made to the Investment Manager, the General Partner or any of their affiliates by any other collective investment vehicle or managed account affiliated with the Strategic Investor (including the Fund of One).

Other Types of Fees or Expenses

Organizational Expenses

Each Feeder Fund bears the expenses of the organization of such Feeder Fund and the initial offering of the Interests or the Shares, as applicable (including legal and accounting fees, printing costs, expenses associated with reporting and providing information to prospective Partners or Shareholders (as applicable), travel, "blue sky", Form D and other filing fees, out-of-pocket expenses and the costs of compliance with any applicable federal and state laws). Each Feeder Fund also bears its pro rata portion of any of the foregoing costs or expenses directly related to the formation of the Master Fund. In general, the financial statements of each Feeder Fund will be prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). However, each Feeder Fund intends to amortize its organizational expenses over a period of 60 calendar months from the date of the first capital contribution made by a Limited Partner or a Shareholder, as applicable, to such Feeder Fund because the Feeder Fund believes such treatment is more equitable than expensing the entire amount of the organizational expenses in the Feeder Fund's first year of operation, as is required by GAAP. The Fund General Partner or the Board, as applicable, may, however, limit the amount of start-up and organizational expenses that the relevant Feeder Fund amortizes so that the audit opinion issued with respect to the Feeder Fund's financial statements will not be qualified.

Investment and Operational Expenses

Each Feeder Fund bears all costs and expenses directly related to its investments (whether or not consummated), including expenses related to initial and ongoing specialized research and due diligence, monitoring-related expenses, brokerage commissions and other transaction costs (including trade errors that are not the result of the Firm's willful misconduct, bad faith or gross negligence or as otherwise required by applicable law), interest on and any commitment fees or other expenses related to debt balances or borrowings, exchange, clearing and settlement charges, expenses of third-party registered office, "back office" and "middle office" services, investment-related travel fees, appraisal fees, investment banking fees, bank service fees, borrowing charges on

short sales, custody fees, fees of consultants relating to investments and the costs of any appraisers, accountants, legal counsel or other experts engaged by the Fund General Partner or the Board, as applicable, or the Firm, as well as other expenses directly related to the investments. Each Feeder Fund also bears expenses related to such Feeder Fund's ongoing offering of Interests or Shares, as applicable, and any withholding or transfer taxes imposed on the Feeder Fund. Furthermore, each Feeder Fund bears all out-of-pocket costs of the ongoing operation and administration of the Feeder Fund, including (a) financial and tax accounting, bookkeeping and reporting services, third party administrative services, audit and legal expenses (including those compliance, regulatory, filing or regulatory inquiry expenses incurred by the Fund General Partner or the Board (as applicable) or the Firm related to the Funds, such as the expenses of any Section 13, Section 16 and Form PF filings and the preparation and update of the Form ADV), (b) costs of legal counsel and any other litigation or investigation involving the Feeder Fund's activities, (c) expenses incurred in maintaining research or other information and performing systems, including information service subscriptions, software tools, programs or other technology utilized in managing the investments (including third-party software licensing and implementation), Bloomberg terminals, compliance and risk management systems, technology and communication systems, systems used for portfolio management, valuations and accounting purposes, including statistics and pricing services, service contracts for quotation equipment and related hardware, software, phone and internet charges, (d) costs associated with reporting and providing information to and meeting with Limited Partners or Shareholders, as applicable, (e) costs associated with maintaining "directors and officers" or similar liability insurance for the benefit of the Feeder Fund, the Fund General Partner or the Board (as applicable), the Firm, or any other indemnified person under the Feeder Fund's offering documents, (f) out-of-pocket expenses incurred by the conflicts committee or the Board (as applicable) in the performance of their duties and compensation for the Board (as applicable), (g) the costs of winding up and liquidating the Feeder Fund, (h) registrar and registration expenses with government agencies and (i) any other extraordinary expenses (including any expenses incurred to satisfy indemnification obligations of the Feeder Fund). Each Feeder Fund also bears its pro rata portion of any of the foregoing costs or expenses directly related to the operation and investment program of the Master Fund.

We may, in our sole and absolute discretion, bear any of the Funds' expenses described above; provided that, if we pay any such expenses, we will not be required to continue to pay such expenses and may thereafter cause the Funds to pay such expenses.

The Fund of One has negotiated, and any other Single Investor Clients will negotiate, their own expense provisions.

Neither the Firm nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

Please also see Item 12. Brokerage Practices.

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

Cove Key Fund GP, LP, as the general partner of the Master Fund, is entitled to a performance-based profit allocation at the end of each calendar year taken at the Master Fund level (and earlier with respect to withdrawn capital as described in Item 5) (the "**Performance Allocation**"). Some Single Investor Clients, including the Fund of One, will generally pay a performance-based profit allocation. However, certain future Single Investor Clients may not pay a performance-based profit allocation.

If we manage both Clients (as defined below) that pay a performance-based profit allocation and Clients that do not, we have an incentive to focus our efforts on accounts from which we receive a performance-based profit allocation to the detriment of Clients that do not pay performance-based compensation. Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement.

Item 7: Types of Clients

Our clients are the Funds, the Fund of One and any other Single Investor Clients that may engage our services, currently or in the future (collectively, “**Clients**”). The initial minimum investment in a Feeder Fund is \$1,000,000, although we may, in our discretion, accept investments in a lesser amount. The minimum required investment amount to open a separately-managed account or establish a fund of one will be at our discretion.

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

The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client’s investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved. For purposes of this Item 8: Methods of Analysis, Investment Strategies and Risk of Loss only, the term “Clients” means to the Master Fund and the Fund of One, and “Client” means either the Master Fund or the Fund of One where no distinction is required.

Investment Objective

Our objective for each Feeder Fund, by investing all of their investable assets in the Master Fund, and the Fund of One is to utilize the expertise and experience of the Firm’s research team to maximize long-term, risk-adjusted absolute returns principally through long/short equity and credit investments in the North American and European infrastructure, utilities, energy, MLPs and industrials sectors and related hedges. The goal is to compound principal over time with low volatility and low correlation to the broader equity and credit markets. The investment objective is modified for the Fund of One and may be modified for any other Single Investor Clients.

Investment Process**Identification:**

The Firm, on behalf of the Clients, focuses on identifying situations primarily in the infrastructure, utilities, energy, MLPs and industrials space with attractive investment themes that we understand well. To this end, we maintain professional relationships with company management teams, fund managers, brokers, sell-side analysts and industry contacts. Other sources of investment ideas for a Client include early appreciation of industry trends, the observation and forecast of commodity prices and their impact on company and industry fundamentals, proprietary valuation, commodity sensitivity and creditworthiness screens and the review of corporate strategic actions by companies, their competitors and comparables. We believe the relationships we have with management teams

and industry experts, coupled with our investment identification process, provide us with many investment opportunities that are not generally available to other investors.

Analysis:

In the evaluation of a company's securities, we obtain information from the company's SEC filings, conversations with the company's management, price information from commodity pricing services and its own proprietary commodity forecasts, review of pertinent court documents, SEC filings of competitors, conversations with the management of competing companies, conversations with industry participants and with industry analysts. We seek to obtain an informational advantage with respect to industry trends and individual securities.

The Firm performs rigorous financial and accounting analysis, which often involves the creation of detailed financial models and forecasts. We believe that our skill and substantial experience in properly forecasting the potential future results of infrastructure, utility, energy, MLP and industrial companies constitutes a meaningful competitive advantage for the Clients. In addition, we have substantial experience analyzing commodities through supply/demand, infrastructure availability/constraint, transportation and market clearing price analysis. This work should result in a competitive advantage for us due to the impact of commodity price and volume changes on certain sub sectors within our focus industries. The ultimate goal of the analytical process is to gain an understanding of the relevant drivers of business values and accurately predict the direction in which they are moving.

Once we determine that a substantial discrepancy between intrinsic and trading value exists, it then attempts to determine the reason for the mispricing. We believe that conviction is gained from thoroughly understanding why a security is mispriced. We will not make an investment on behalf of a Client without understanding why we believe the capital markets have given the Client such an opportunity. The Principals have experience in identifying inefficiencies and believe that this requirement reduces the risk of capital loss as a result of analytical mistakes.

Monitoring:

We consistently re-evaluate portfolio positions by monitoring changes in the companies in which it invests, company competitors and the industry. Using up-to-date information, the Firm consistently recalculates intrinsic value and compares it to trading values. Positions are exited or re-sized if their investment size is no longer warranted given the amount of upside vs. downside this analysis presents. This constant re-assessment process is an important element of the Firm's Client risk management strategy.

Exiting a Position:

The Firm, on behalf of the Clients, will seek to exit a position either when it is fairly valued or when we determine that a better use of capital exists. When a Client exits a position or a trade at a loss, our investment team performs a post mortem discussion and analysis to understand where mistakes or miscalculations were made. This process is an important part of a Client's investment strategy and ensures our investment team is dedicated to improving over time.

Market Strategy:

Depending upon available opportunities, the portfolio of a Client may have either a long or short bias. The portfolio will be constructed based on individual investments that stand on their own merit. This means that each investment, short, long, relative value or some combination thereof, stands on its own merits. While short sales tend to act as a hedge against downward market movements, a Client intends for some of its short positions to produce stand-alone risk-adjusted returns comparable to other investments in the portfolio.

Portfolio Concentration:

The Firm, on behalf of its Clients, intends to maintain a concentrated portfolio, and position sizes will be proportional to the conviction level of the Firm, liquidity allowing.

In general, but not always, securities sold short will be individually smaller positions than securities owned. If a company's stock price is materially below our estimate of intrinsic value and our estimate of intrinsic value is correct, then the company has recourse, as it can repurchase its own shares, or sell the company to a buyer willing to pay intrinsic value (or more). After a share buyback, the excess of intrinsic value over trading value for each share repurchased is distributed to the remaining shareholders, creating an even greater value discrepancy per remaining share. Since no such actionable recourse exists for securities sold short, short positions will generally be smaller. Although our conviction in a short investment can be as great as that of a long investment, we believe the adage that one can be correct much longer than one can be liquid.

Leverage:

Leverage will normally range from 150% to 250% of each Client's capital. The amount of leverage employed at any time will be a function of the risk characteristics of individual investment positions, investment opportunities and borrowing rates. In particular, we believe that above-average investment opportunities may be available after major market upsets, and thus portfolio leverage normally should be limited so as to have capital available to invest should such a market upset occur.

Risk Management:

While many market participants measure the risk of a security or portfolio of securities based largely on historical trading volatility, we believe the risk is dependent on the price paid and trading volatility changes over time. Our belief is that the margin of safety on a long position will be adequate at some price, smaller at some higher price, and non-existent at some still higher price. Accordingly, we believe that it can minimize risk by purchasing securities on behalf a Client at substantial discounts to intrinsic value and selling securities at substantial premiums. In addition to purchasing or selling securities at good prices, we believe exposures to equity markets, credit markets and rates must be actively and precisely monitored and positioned appropriately to the current macroeconomic environment. We use a proprietary forward-looking beta screening process to monitor its exposures to equity, credit and interest rate markets, which we strive to manage actively using its individual security selection and sizing and/or liquid financial instruments.

Given that our Clients generally focus their investments on the infrastructure, utilities, energy, MLPs and industrials sectors, there is frequently commodity exposure in portions of the investments that our Clients make. We measure a Client's commodity exposure to numerous commodities on a daily basis, using both historical trading relationships and its proprietary analysis of fundamental exposure. We use this analysis to ensure a Client is only exposed directionally to commodity price risk that is consistent with the proprietary views of the Principals.

In addition, to further manage risk, we may use a macro-hedge strategy, making use of commodities and derivatives, United States and foreign government debt and other instruments related thereto.

The investment objectives and methods summarized above represent the Fund General Partner's and the Firm's current intentions. Depending on conditions and trends in the securities markets and the economy in general, the Fund General Partner and the Firm may pursue any objectives, employ any investment techniques or purchase any type of security that they consider appropriate and in the best interests of a Client whether or not described in this section. The foregoing discussion includes and is based upon numerous assumptions and opinions of the Fund General Partner and the Firm concerning world financial markets and other matters, the accuracy of which cannot be assured. There can be no assurance that a Client's investment strategy will achieve profitable results.

We will tailor advisory services for Single Investor Clients as established in the relevant governing documents for such Single Investor Clients.

Risk of Loss Factors***Investment Judgment; Market Risk.***

The profitability of a significant portion of a Client's investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that we will be able to predict accurately these price movements. With respect to the investment strategy utilized by a Client, there is always some, and occasionally a significant, degree of market risk.

Risk of Changes in Supply and Demand for Commodities Affecting Energy Infrastructure Companies.

A decrease in the production of natural gas, natural gas liquids, crude oil, coal, refined petroleum products or other such commodities, or a decrease in the volume of such commodities available for transportation, mining, processing, storage or distribution, may adversely impact the financial performance of companies in the energy infrastructure sector.

Production declines and volume decreases could be caused by various factors, including catastrophic events affecting production, depletion of resources, labor difficulties, political events, OPEC actions, environmental proceedings, increased regulations, equipment failures and unexpected maintenance problems, failure to obtain necessary permits, unscheduled outages, unanticipated expenses, inability to successfully carry out new construction or acquisitions, import supply disruption, increased competition from alternative energy sources or related commodity prices. Alternatively, a sustained decline in demand for such commodities could also adversely affect the financial performance of companies in the energy infrastructure sector. Factors that could lead to a decline in demand include economic recession or other adverse economic conditions, higher fuel taxes or governmental regulations, increases in fuel economy, consumer shifts to the use of alternative fuel sources, changes in commodity prices or weather. Demand may also be adversely impacted by consumer sentiment with respect to global warming and/or by any state or federal legislation intended to promote the use of alternative energy sources such as bio-fuels, solar and wind. Should energy infrastructure companies experience variations in supply and demand as described above, the resulting decline in operating or financial performance could impact the value or quality of our assets.

Utilities Industry.

Utility company equity securities, to the extent they are purchased for their dividend yield, historically have been sensitive to interest rate movements: when interest rates have risen, the stock prices of these companies have tended to fall. In some states, utility companies and their rates are regulated; other states have moved to deregulate such companies, thereby causing non-regulated companies' returns to generally be more volatile and more sensitive to changes in revenue and earnings. Certain utilities companies face risks associated with the operation of nuclear facilities for electric generation, including, among other considerations, litigation, the problems associated with the use of radioactive materials and the effects of natural or man-made disasters. In general, all utility companies may face additional regulation and litigation regarding their power plant operations; increased costs from new or greater regulation of these operations; the need to purchase expensive emissions control equipment or new operations due to regulations; and the availability and cost of fuel, all of which may lower their earnings.

Risk associated with the Utilities Industry generally include:

- Competition in the Utilities Market;
- Increased Regulation of Utilities;
- Environmental Considerations;
- Operational Risks of Utilities; and
- Risk of Increased Conservation and Technology.

Energy Markets.

Each Client will concentrate a large portion of its investments in energy markets. Energy markets may be subject to short-term volatility due to a variety of factors, including weather, international political and economic developments, breakdowns in the facilities for the production, storage or transport of energy and energy-related products, acts of terrorism, changes in government regulation and sudden changes in fuel prices. Each Client may be affected to a greater extent by any of these developments than would be the case with a more diversified portfolio of investments.

Risks Related to MLPs.

There can be no assurance that we will be able to predict accurately the future course of the price movements and income streams of MLPs. The cash flows of an MLP are heavily dependent on and significantly levered to the underlying MLP's distributions; accordingly, there is increased risk at the general partner MLP level. With respect to the investment strategy utilized by a Client, there is always some, and occasionally a significant degree of, equity market risk (including from the broad equity market as well as the energy sector) and fixed income market risk. Although MLP units are publicly-traded securities, they may be subject to short term price dislocations in the event of large transactions. Similarly, equity offerings have tended to cause a drop in unit prices. Because of an MLP's relatively illiquid nature, its unit price does not always accurately reflect the fundamentals of the underlying MLP. The interests in the MLPs may be subject to a remote risk of subjecting limited partners to general partner liability in the event they are deemed to "control" the MLP, as well as a requirement to repay amounts to the MLP that are wrongfully distributed to them in certain remote circumstances specified under the relevant partnership statutes. The general partner of an MLP may be subject to conflicts of interest in light of incentive distributions to it.

Risks of Industrials.

The industrials sector is comprised of companies engaged in aerospace and defense, building products, construction and engineering, electrical equipment, machinery, commercial services and supplies, air freight and logistics, air travel, road and rail and transportation infrastructure. The future profitability of companies in this sector is subject to fluctuations in the costs and availability of components, compounds, raw materials and energy, including oil and gas and their derivatives, due to shortages, increased demand, supply interruptions, natural disasters and other factors. In addition, competitive pressures and the cyclical nature of the materials sector may have a significant effect on the financial condition of these companies. Companies in the industrials sector often rely on an extensive technological infrastructure – any major disruption to this infrastructure, such as malicious or unintentional disruptions (i.e. terrorist attacks) could have a negative impact on operations. In addition, the financial results of companies in this sector are largely dependent on the timing and market acceptance of new product offerings, including the ability to renew pipelines of new products and bring those products to market. These new offerings often require significant capital expenditures and there is no guarantee of commercial success. Furthermore, the profitability

of companies in this sector is tied to changes in interest rates, exchange rates, consumer demand and prevailing conditions in the global economy. These factors may individually or collaboratively have an adverse impact on any Investment in the industrials sector.

Investments in Equity Securities Generally.

A Client may opportunistically invest in preferred or common stocks or may receive preferred or common stock as part of compensation for making a loan. Issuers of these securities may be small or medium-size market capitalization companies. Investments in equity securities of small or medium-sized market capitalization companies will have more limited marketability than the securities of larger companies. In particular, securities of smaller companies may have greater price volatility. All of a Client's investments in stocks will be subject to normal market risks. While diversification among issuers may mitigate these risks, each Client is not required to diversify its investments in equity securities and investors must expect fluctuations in value of equity securities held by a Client based on market conditions. Because equity securities rank lower in the capital structure of an issuer, such investments may subject investors to additional risks not applicable to debt securities. In addition, holders of equity securities may be wiped out or substantially reduced in value in a bankruptcy proceeding or corporate restructuring.

Prediction of Prices and Market Environment.

The profitability of a portion of a Client's investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other instruments, as well as changes in long-term interest rates and changes in the relevant markets. There can be no assurance that the Firm will be able to predict accurately these price movements or market changes or that a Client will not incur substantial losses. Changing market and economic conditions, as well as the highly competitive environment of the investment industry, also may make a Client's investment program less profitable.

High Yield, Low or Unrated Securities.

A Client may invest in "high yield" bonds and preferred stock or low or unrated debt securities which are unrated or rated in the lower categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower categories are subject to greater risk of loss of principal and interest than higher-rated securities, and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration or general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Debt Securities.

Debt securities are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). With bonds and other fixed income securities, a rise in interest rates typically causes a fall in values, while a fall in interest rates typically causes a rise in values. The risk will be greater

for long-term securities than for short-term securities. In addition, interest rate increases generally will increase carrying costs to a Client of borrowed securities and leveraged instruments. Debt securities are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for loans and corporate debt and adversely affect the value of outstanding loans and fixed income holdings and the ability of the borrowers to repay principal and interest. Moreover, defaults may prove to be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations. The risk of debt securities can vary significantly depending upon factors such as the issuer and maturity. For example, the issuer of a security or the counterparty to a contract may default or otherwise become unable to honor a financial obligation. The debt securities of some companies may be riskier than the stocks of others.

Distressed Securities.

A Client may purchase, directly or indirectly, securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period of time. In fact, many of these securities and investments ordinarily remain unpaid unless and until the company reorganizes and/or emerges from bankruptcy proceedings, and as a result, may have to be held for an extended period of time. A wide variety of considerations, including, for example, the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others may affect the value of these securities and investments. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations which limit the access to reliable and timely information concerning material developments affecting a company, or which cause lengthy delays in the completion of the liquidation or reorganization proceedings. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is unusually high. There is no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to the company in which a Client invests, such Client may lose its entire investment or may be required to accept cash or securities with a value less than the Client's original investment.

Defaulted Securities.

We may invest in 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 a Client to litigation risks or prevent us from disposing of securities. In a bankruptcy or other proceeding, a Client as a creditor 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. While we attempt to avoid taking the types of actions that would lead to equitable subordination or creditor liability, there can be no assurance that such claims will not be asserted or that such Client will be able to successfully defend against them. Because (unlike a Client) other investors may purchase the securities of these companies for the purpose of exercising control or management, a Client may be at a disadvantage to the extent that the Client's interests differ from the interests of these other investors.

Convertible Instruments.

We may invest in convertible instruments. A convertible instrument is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Convertible debt instruments have characteristics of both fixed income and equity investments. We may invest in convertible instruments that have varying conversion values. If a convertible instrument held by a Client is called for redemption, we will be required to permit the issuer to redeem the instrument, or convert it into the underlying stock, and will hold the stock to the extent that we determine that such equity investment is consistent with the investment objective of a Client.

Commodity Derivatives.

We may invest and trade in a wide range of commodity and commodity-related financial instruments and derivatives, including exchange-traded and OTC derivatives contracts such as forwards, options and swaps, including specialized derivative instruments. Commodity-related derivatives have the same general risks associated with them as other forms of derivative instrument, in addition to risks related primarily to energy markets.

Options.

Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a decline in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment in the option (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (sold) uncovered, the seller may be liable to pay substantial additional margin and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the then market value.

Derivatives.

The value of a derivative depends largely upon price movements in an underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose a Client to the possibility of a loss exceeding the original amount invested.

Investments in U.S. Government and Foreign Bonds.

A Client may invest in United States and foreign government bonds. Such Investments are subject to a number of risks, including the risk that interest rates in the market may increase while the interest rate of the bonds are static over-time, causing investors to miss out on potential interest income if they had invested in the market. Government bonds are also subject to risks related to any government instability, a reduction in the credit rating of the federal government and other events

that may cause a government, as the issuer of the bond, to default (i.e. fail to pay the debt that it owes on the bonds that it has issued).

Forwards Contracts.

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of controls by governmental authorities, market illiquidity and market disruption could result in major losses to a Client. To the extent possible, we endeavor to deal only with counterparties that are creditworthy and reputable institutions, but such counterparties may not be rated investment grade.

Credit Default Swap Agreements.

The “buyer” in a credit default contract is obligated to pay the “seller” a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event means bankruptcy, failure to pay, obligation acceleration or modified restructuring. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the “par value” (full notional value) of the reference obligation. The contingent payment may be a cash settlement or by physical delivery of the reference obligation in return for payment of the face amount of the obligation. We may be either the buyer or seller in the transaction. If we are a buyer and no credit event occurs, a Client may lose its investment and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. As a seller, we receive a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligation.

Uncovered Risks.

The Firm, from time to time, may employ various hedging techniques to reduce the risk of highly speculative investments in securities. There remains a substantial risk, however, that hedging techniques may not always be possible or effective in limiting losses.

Hedging Losses.

A hedge may produce a net loss. In addition, hedges are more difficult to implement than many other transactions and possibilities for errors may be greater than for other transactions. The trading techniques used by us may not be successful and may thereby cause a Client to incur losses on the positions that we initiate.

Non-U.S. Securities.

Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (a) currency exchange matters, including fluctuations in the rate of

exchange between the U.S. dollar (the currency in which the books of a Client are maintained) and the various foreign currencies in which a Client's portfolio securities will be denominated, and costs associated with conversion of investment principal and income from one currency into another; (b) differences between the U.S. and non-U.S. securities markets, including the absence of uniform accounting, auditing and financial reporting standards, and practices and disclosure requirements, and less government supervision and regulation; (c) political, social or economic instability; (d) imposition of foreign income, withholding or other taxes; and (e) the extension of credit, especially in the case of sovereign debt.

Currency Risk.

We invest capital in, among other things, securities denominated in currencies other than the U.S. dollar and in other financial instruments the prices of which are determined with reference to currencies other than the U.S. dollar. Each Client values its securities and other capital in U.S. dollars and may hedge its currency exposure. However, to the extent that currency risk is unhedged, the value of capital will fluctuate with the U.S. dollar exchange rate, as well as with price changes of a Client's investments in various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which we make investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of the Client's securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of a Client's non-U.S. dollar securities. We also may utilize forward currency contracts and options to the hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Leverage.

Subject to applicable margin and other limitations, we may borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of our portfolio would be amplified.

Diversification.

Since each Client's portfolio will not necessarily be widely diversified, the investment portfolio of a Client may be subject to more rapid changes in value than would be the case if the Client were required to maintain a wide diversification among companies, securities and types of securities.

Conflicts of Interest Involving Liquidity of Single Investor Clients.

The Fund of One has, other Single Investor Clients may have, the right to withdraw capital without regard to the suspension events of the Funds and have, or will have, respectively, other rights, including the right to remove Cove Key as its investment manager, to dissolve its investment vehicle, and/or to negotiate special investment guidelines, as applicable, that may create other situations where the Fund of One (to the extent that it is funded and invests in the same securities as the Master Fund) or other Single Investor Clients are disposing of securities (debt or equity) without the Master Fund also selling its share of the same relevant securities. From time to time, Single Investor Clients may and likely will hold positions in certain less liquid issuers at a level where if a Single Investor Client were to exit such positions it would likely depress the price of securities of the relevant issuers, which may have an adverse impact on the Master Fund and other Single Investor Clients. This would be heightened in a situation where a Single Investor Client relationship was terminated by its beneficial owner and the beneficial owner, in connection with such termination of such relationship, liquidated

the positions held by it or in a situation where such beneficial owner required a liquidation of such securities as a result of a change to the Single Investor Client dictated by it.

Force Majeure.

Cove Key activities, as well as its portfolio investments, could be affected by force majeure events (i.e., unforeseen circumstances beyond Cove Key's control). Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and business activity in general. Force majeure events include, but are not limited to: acts of God, war, riots, fire, flood, hurricane, earthquake, explosion, outbreaks of an infectious disease, pandemic or any other serious public health concern, act or threat of terrorism, labor strikes, theft, cyber-attacks, malicious damage, electricity line rupture, energy blackouts, failure of technology, social instability, etc.)

More specific risks are set forth in the Funds' offering documents.

Item 9: Disciplinary Information

Neither Cove Key, nor any of our directors, officers or principals, has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court that would be material to an evaluation of our firm's advisory business or the integrity of our firm's management.

Neither Cove Key, nor any of our directors, officers or principals, has been involved in any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority that would be material to an evaluation of our firm's advisory business or the integrity of our firm's management.

Neither Cove Key, nor any of our directors, officers or principals, has been involved in any self-regulatory organization proceedings that would be material to an evaluation of our firm's advisory business or the integrity of our firm's management.

Item 10: Other Financial Industry Activities and Affiliations

Cove Key claims an exemption from registration with the CFTC as a CPO pursuant to CFTC Rule 4.13(a)(3).

Cove Key and its management persons are not registered as broker-dealers or registered representatives of a broker-dealer and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

Neither Cove Key, nor any of our directors, officers or principals is registered as a futures commission merchant or an associated person of a futures commission merchant or has an application pending to register as a futures commission merchant or an associated person of a futures commission merchant.

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

Code of Ethics

Cove Key has adopted a "Code of Ethics" that establishes the high standard of conduct that we expect of our employees to maintain and procedures regarding our employees' personal trading of

securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter.

Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Clients at the forefront;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics; and
- Employees should not take inappropriate advantage of their position at the Firm.

Personal Securities Trading

Employees, their spouses, immediate family members and other dependents, are required to send, or to direct their brokers to send, duplicate copies of personal discretionary brokerage account statements to the CCO on at least a quarterly basis. Personal transaction reports may also be submitted in lieu of brokerage statements. These records are used to monitor compliance with Cove Key's "Employee Investment Policy." The Employee Investment Policy prohibits employees from any personal transactions in any securities that Cove Key has a position in for any of its Clients. Employees also are prohibited from participating in initial public offerings (IPOs).

Employees must obtain pre-approval from the CCO before: (i) making a Liquidating Trade; (ii) engaging in any outside business activities that may present a conflict with the employees' duties at the Firm; (iii) making any private investments; or (iv) participating in any private placements.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor or Client, upon request.

Permissible Gifts and Entertainment

Employees may not receive a gift with a value (significantly) in excess of \$250 from anyone with whom Cove Key has or is likely to have any business dealings, except as follows:

Meals and Entertainment customarily associated with ethical business practices and cannot be reasonably interpreted by others as constituting an inducement to take a particular action is acceptable.

- Payment of out-of-town accommodation expenses by a sponsor of an industry, company or business conference held within the United States involving multiple attendees from outside the firm where your expenses are being paid by the sponsor on the same basis as those other attendees. Employees are required to obtain approval from one of the Managing Members or the CCO prior to accepting out-of-town accommodations or travel expenses.
- A business gift given to an Employee from a business or corporate gift list on the same basis as other recipients of the sponsor and not personally selected for an Employee (e.g., holiday gifts).

- Gifts from a sponsor to celebrate or acknowledge a transaction or event that are given to a wide group of recipients and not personally selected for an Employee (e.g., closing dinner gifts, gifts given at an industry conference or seminar).

Spouses and other family members may at times attend business meals or entertainment. Trends and unusually high frequency and value of such situations should be monitored by the Employee to ensure that actual or apparent conflicts of interest are avoided.

Participation or Interest in Client Transactions

Neither we nor our related persons purchase any securities for our or their own accounts from, or sell any securities for our or their own accounts to, Clients. Cove Key may solicit qualified investors to invest in a Client. Cove Key could be considered to have recommended an investment in a Client as suitable for an investor as a result of the relationship between Cove Key and the Client. Cove Key will inform each investor of its relationship with a Client prior to the investor's investment, but does not intend to advise investors as to the appropriateness of the investment and will not receive any compensation for doing so or for selling interests in a Client (except to the extent that Cove Key receives management fees and performance-based compensation from Client investors and certain expense reimbursements).

We and our related persons invest in the same securities that we recommend to our Clients. Cove Key's "Allocation of Investments Policy" requires the Firm to treat all Clients in a fair and equitable manner. This generally means that all investment allocations will be made on a pro rata basis; provided that the Fund of One has, and other Single Investor Clients may in the future have, special investment guidelines that may result in it (or them) not participating on a pro rata basis. In no event shall the allocation of orders be based on considerations other than the best interests of the Client.

In instances where a determination is made to allocate trades in a non-pro rata manner, the Firm will indicate, for example, in its order management system, the reason for the non-pro rata allocation. The CCO will review any non-pro rata allocations to ensure that all Clients are being treated consistently with the Allocation of Investments Policy.

Cove Key discloses potential conflicts of interest to Investors in the Funds' offering documents. These materials are delivered to Investors prior to their investment and Investors are given the opportunity to ask questions and seek answers regarding, among other things, potential conflicts involving the Firm, its affiliates, or the executive officers of the foregoing.

Item 12: Brokerage Practices

Cove Key is authorized to determine the broker-dealer to be used for executing securities transactions for Clients. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. Please also see "Best Execution" below. The Clients' securities and other assets are held in securities accounts at our prime brokers and foreign affiliates of our prime brokers that are "Qualified Custodians" as defined in the Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

Cove Key is responsible for the placement of the portfolio transactions of Clients and the negotiation of any commissions or spreads paid on such transactions. Portfolio transactions normally are effected through brokers on securities exchanges, directly with the issuer, or through an underwriter, or market maker or other dealer for the investments. Portfolio transactions through brokers involve paying a commission to the broker. Portfolio transactions with dealers typically are priced to include a spread between the bid and the asked price to compensate the dealer. Portfolio transactions are

executed by brokers selected solely by the Investment Manager in its absolute discretion. Cove Key is not required to weigh any of these factors equally.

Substantially all of a Client's investments in marketable securities, as well as its cash and cash equivalents, are expected to be held at Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC, Goldman Sachs & Co. LLC, Goldman Sachs International or other prime brokers or custodians selected by Cove Key. Instruments not constituting marketable securities, such as bank debt assignments and participations, trade credit claims and interests in uncertificated privately offered securities, generally are recorded through book entry by the borrower or by an agent for the borrower or the creditors in the name of the relevant Client. Documentary evidence of the acquisition, ownership and disposition of these assets typically will be held by the administrator of the Clients have (provided that managed accounts, if any, may have their own custodians that would maintain such evidence). The Feeder Funds place their assets in and conduct all of their investment and trading activities through the Master Fund. Morgan Stanley, Goldman Sachs and other prime brokers or their affiliates may provide capital introduction or other placement services to the Clients and Cove Key (with or without separate charges for such other services). In determining which broker-dealer generally provides the best available price and most favorable execution, Cove Key considers a totality of circumstances, including the broker-dealer's research capabilities and the success of prior research recommendations, ability to efficiently execute difficult trades (such as those in illiquid markets or trades of substantial size), the broker's risk in positioning a block of securities, commitment of capital, access to new issues, nature and frequency of sales coverage, depth of services provided, including economic or political coverage, arbitrage and option operations, back office and processing capabilities, financial strength, stability and responsibility, efficiency, reputation, access to markets, confidentiality, commission rate, responsiveness to Cove Key and the value of research and brokerage and research products and services provided by such brokers.

Best Execution

In selecting broker-dealers on the basis of the foregoing factors, Clients may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. In connection therewith, the Investment Manager 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 Investment Manager's overall responsibility to its Clients. The Investment Manager regularly evaluates the placement of brokerage services and the reasonableness of commissions paid. Research received from brokers is supplemental to the Investment Manager's own research efforts, a significant part of which includes fundamental research to identify the inefficient pricing of securities, in comparison to their intrinsic value, conducted by the personnel of the Investment Manager. While the receipt of research will not reduce the Investment Manager's normal research activities, the Investment Manager benefits from the receipt of "soft dollars" because its expenses could increase materially if it attempted to generate such additional research or brokerage services through its own staff. The Management Fee will not be reduced as a consequence of the receipt of such research or brokerage services or products. As such, the Investment Manager's arrangements for the receipt of research and brokerage services from brokers may create a conflict of interest, in that the Investment Manager may have an incentive to choose a broker-dealer that provides research and brokerage services, instead of one that does not but charges a lower commission rate. In some instances, the Investment Manager receives products and services that may be used for both research and non-research purposes. In such instances, the Investment Manager will make a good faith effort to determine the relative proportion of the products and services used to assist the Investment Manager in carrying out its investment decision-making responsibilities or order execution, including research and brokerage, and the relative proportion used for administrative or other non-research purposes. The proportionate amount of the research attributable to assisting the Investment Manager in carrying out its investment decision-making

responsibilities or order execution will be paid through brokerage commissions generated by the Master Fund's and other Client's transactions; the proportionate amount attributable to administrative or other non-research purposes will be paid for by the Investment Manager from its own resources, except, for the purposes of clarity, as otherwise set forth in Investment and Operational Expenses in Item 5. Fees and Compensation. The receipt of "mixed-use" research and the determination of the appropriate allocation may result in a potential conflict of interest between the Investment Manager and its Clients.

Soft Dollars

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, as amended (the "**Exchange Act**"), 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. If the Investment 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) of the Exchange Act. Research and brokerage products and services may be used by the Investment Manager in servicing some or all of the Investment Manager's Clients. In addition, some research and brokerage may not be used by the Investment Manager in servicing the Clients whose commission dollars provided for the research or brokerage. 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 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.

Neither Cove Key nor any related person receives Client referrals from any broker-dealer or third party. However, subject to best execution, Cove Key may consider, among other things, capital introduction and marketing assistance with respect to referrals of investors to Clients in selecting or recommending broker-dealers for Clients and our interest in receiving investor referrals may give Cove Key an incentive to select a broker-dealer based on its interest in receiving such investor referrals rather than on a Client's interest in receiving best execution.

Cove Key's "Trade Aggregation Policy" provides that, when multiple Client accounts invest in the same security, the Firm will aggregate trades only in accordance with the SEC's guidance. In addition, trades should only be aggregated if, by doing so, Cove Key is facilitating anticipated best execution, including negotiating more favorable prices, obtaining more timely or equitable execution, or reducing overall commission charges.

Item 13: Review of Accounts

Our portfolio managers and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Clients to ensure that they conform with the investment objectives and guidelines that are stated in the relevant Client's governing documents. In these reviews, we pay particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

Account Reporting

We perform periodic reviews of each Client's portfolio. Such reviews are conducted by our portfolio managers on at least a monthly basis.

We will distribute annual audited financial statements with respect to the previous fiscal year to all Investors within 120 days of relevant Client's fiscal year end. We also may distribute other interim written reports, including but not limited to, quarterly updates to Investors reviewing the relevant Client's performance for such calendar quarter.

Item 14: Client Referrals and Other Compensation

We do not receive economic benefits from non-clients for providing investment advice or other advisory services to our Clients. Neither we nor any of our related persons directly or indirectly compensates any person who is not a supervised person, including placement agents, for Client referrals.

Item 15: Custody

With respect to the Funds and the Fund of One, we comply with Advisers Act's "**Custody Rule**," by meeting the conditions of the pooled vehicle annual audit provision. Annually, upon completion of the relevant Client's annual audit, we will distribute the Client's audited financials to investors within 120 days of the Client's fiscal year end.

Item 16: Investment Discretion

We have full discretionary authority over the Funds and the Fund of One, including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities; provided, that our discretion is limited for the Fund of One.

Our investment decisions and advice with respect to each Client are subject to each Client's investment objectives and guidelines, as set forth in its offering documents and applicable securities and tax laws, as well as internal compliance policies.

Cove Key entered into investment management agreements with the Fund and the Fund of One, pursuant to which we were granted discretionary trading authority pursuant to a power of attorney.

Item 17: Voting Client Securities

In compliance with Advisers Act Rule 206(4)-6, we have adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "**Proxies**") in a prudent and diligent manner that will serve the applicable Client's best interests and is in line with each Client's investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant Client and the returns on those securities;
- the anticipated associated costs and benefits;

- the continued or increased availability of portfolio information; and
- industry and business practices.

In limited circumstances, we may refrain from voting Proxies where we believe that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to the relevant Clients. Clients may not direct our vote in a particular solicitation, except as may be negotiated with respect to a Single Investor Client.

Conflicts of interest may arise between the interests of our Clients on the one hand and us or our affiliates on the other hand. If we determine that we may have, or be perceived to have, a conflict of interest when voting Proxies, we will vote in accordance with our Proxy voting policies and procedures. Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

Item 18: Financial Information

We do not require or solicit prepayment of more than \$1,200 in fees per Client six months or more in advance. We are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.