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Brochure

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This *brochure* provides information about the qualifications and business practices of KStone Partners LLC (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us by phone at 914-495-7000 or via email at jmm@kstonepartners.com. This information 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 KStone Partners LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure is for informational purposes only. It does not convey an offer of any type and is not intended to be, and should not be construed as, an offer to sell, or the solicitation of an offer to buy, any interest in any entity, investment, or investment vehicle.

Item 2. Material Changes

There have been no material changes to this brochure since the Adviser's last annual Form ADV filing on March 28, 2019. Please be aware the following changes and other non-material changes have been included in this brochure, including:

Item 4. Updates have been made to reflect regulatory assets under management.

Item 5. Updates have been made to reflect certain changes to certain payments of fees.

Item 8. Updates have been made to reflect changes in the Investment Strategies.

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Item 4. Advisory Business

- A. General Description of Advisory Firm.** The Adviser is an investment adviser with its principal place of business in Valhalla, New York. The Adviser commenced operations as an investment adviser on January 1, 2009 and has been registered with the SEC since December 1, 2009.

MAK Capital LLP, JJM Capital LLP and JTD Capital LLC are the principal owners of the Adviser. Mark J. Kenyon and his wife, Ann Kenyon, are the principal owners of MAK Capital LLP. Joseph H. Marren and his wife, Joan Marren, are the principal owners of JJM Capital LLP. Joseph Drohan is the owner of JTD Capital LLC.

- B. Description of Advisory Services (including any specializations).** The Adviser provides investment advisory services on a discretionary basis to clients that are pooled investment vehicles intended for institutional investors and other sophisticated investors. Each pooled investment vehicle invests in a select group of underlying investment vehicles or separate accounts managed by portfolio managers that make investments in securities and other assets primarily using arbitrage and relative value strategies.

The Adviser provides non-discretionary research-based advisory services through reports on a limited basis.

- C. Availability of Tailored Services for Individual Clients.** Under certain circumstances, generally involving investments of \$25 million or greater, the Adviser may design and implement customized multi-manager investment programs tailored to the specific objectives and constraints of institutions.

Clients may not impose restrictions on investing in certain securities or certain types of securities.

- D. Wrap Fee Program.** The Adviser does not participate in wrap fee programs.

- E. Client Assets Under Management.** As of March 1, 2020, the Adviser had approximately \$148,873,666 on a discretionary basis and \$0 on a non-discretionary basis in regulatory assets under management.

Item 5. Fees and Compensation

A. Advisory Fees and Compensation

Discretionary Advisory Service Fees

With respect to its discretionary advisory services, the Adviser charges each client an investment management fee based on the value of the client's assets under management. The range of investment management fees charged by the Adviser is generally from 0.75% to 1.5% per annum,

depending on a number of factors, including the amount invested and committed duration of investment. In addition, the Adviser charges each discretionary advisory client an administrative fee based on the value of the client's assets under management equal to 0.10% per annum.

The investment management fee and the administrative fee (together, the "Asset-based Fees") are charged each quarter in arrears based on the value of the assets in the client's account (including net unrealized appreciation or depreciation of investments) as of the last day of the quarter. If an initial or additional contribution is made to a client account during a quarter, the Asset-based Fees will be prorated for the number of days remaining in the quarter. If a client's investment management agreement is terminated or a withdrawal is made during a quarter, the Asset-based Fee payable to the Adviser will be calculated based on the value of the assets on the termination date or withdrawal date and prorated for the number of days during the quarter in which the investment management arrangement was in effect or such amount was in the account. These fees are negotiable.

Non-Discretionary Advisory Services Fees

With respect to the Adviser's non-discretionary research-based advisory services, the Adviser is paid a fixed annual fee, which is payable in monthly installments. The fees relating to non-discretionary advisory services are negotiated on a case-by-case basis.

- B. Payment of Fees.** Asset-based Fees are deducted from discretionary client accounts by each such client's respective third-party administrator, either Vistra USA LLC or NAV Fund Administration Group. The Adviser bills the fees separately to its non-discretionary clients.
- C. Other Fees and Expenses.** In addition to paying Asset-based Fees for discretionary advisory services, client accounts will also be subject to other investment expenses such as legal, compliance, audit, accounting and third party administrator fees and expenses; organizational expenses; investment expenses such as commissions, research fees and expenses; interest on margin accounts and other indebtedness; borrowing charges on securities, commodities and other financial instruments and assets sold short; custodial fees; fund-related insurance costs; expenses associated with bonding requirements (if any); a client's pro rata share of the expenses of any underlying investment vehicles; the management and incentive fees/allocations of any portfolio managers (or their affiliates); directors' fees (if any) and any other expenses reasonably related to the purchase, sale, transmittal or preservation of client assets. The Adviser seeks to allocate certain expenses between its clients in a manner that is fair and reasonable over time. Please refer to Item 12 of this brochure for a discussion of the Adviser's brokerage practices.

For non-discretionary advisory services, there are no additional fees or expenses other than the fees paid to the Adviser and expenses incurred by a client in creating their own account.

- D. Prepayment of Fees.** The Adviser is not paid fees in advance.

- E. Additional Compensation and Conflicts of Interest.** Neither the Adviser nor any of its supervised persons accept any form of compensation for the sale of securities or other investment products.

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

The Adviser does not charge any performance-based compensation. The Asset-based Fee structures for all of the Adviser's discretionary clients are substantially the same; although, as a result of size and other considerations, different clients do pay different aggregate fees.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple clients and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all client accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities specify the factors that are taken into account in making allocation decisions and require that, to the extent orders are aggregated, the client orders are price-averaged. Finally, the Adviser's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. It is the Adviser's current policy to elect not to participate in either initial public offering or private placement investments made by investment vehicles in which clients invest. These areas are monitored by the Adviser's Chief Compliance Officer.

Item 7. Types of Clients

The Adviser's clients consist of private funds and other business entities.

With respect to any client that is a private fund, any initial and additional subscription minimums are disclosed in the offering memorandum for the private fund.

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 investment decisions and recommendations. The methods of analysis include fundamental research as well as the use of quantitative analysis.

With respect to investments in other pooled vehicles, the Adviser primarily focuses on underlying portfolio managers (each, a "Portfolio Manager") in terms of research rather than individual securities. The Adviser's analytical process includes both quantitative and qualitative elements. The Adviser endeavors to analyze a Portfolio Manager's strategy, philosophy and decision-making process, proprietary models, research and portfolio management systems, the quality of its investment professionals, and its organizational structure.

The Adviser primarily seeks to invest client assets in investment vehicles managed by Portfolio Managers (each, an "Investment Vehicle") who have experience in arbitrage and relative value strategies. The Adviser may also invest client assets in Investment Vehicles managed by Portfolio

Managers who have experience in other strategies including long/short equity, global macro, emerging market debt and equity and opportunistic.

Arbitrage Strategies. Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in other forms. The arbitrage strategies utilized by the Portfolio Managers may include, but are not limited to, merger arbitrage, event-driven arbitrage, convertible arbitrage, capital structure arbitrage, statistical arbitrage, fixed income or interest rate arbitrage, debt spread arbitrage and index arbitrage.

Relative Value Strategies. Relative value strategies involve taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. Relative Value strategies include distressed debt and equity investments and certain fixed income trading strategies.

Long/Short Equity Strategies. Long/short equity strategies involve buying common stock long when it is believed to be undervalued and shorting other equities when they are believed to be overvalued.

Emerging Market Debt and Equity Strategies. Portfolio Managers pursuing these strategies invest in a wide range of emerging market equity and debt securities.

Opportunistic Strategies. Portfolio Managers that pursue opportunistic strategies invest in specific transactions or situations that create discrete return opportunities.

Municipal Securities Strategies. Portfolio Managers that pursue municipal securities strategies invest in debt securities of municipal issuers. These Portfolio Managers may invest in municipal securities that backed by the general tax obligations of certain municipal issuers or by specific infrastructure projects or other income sources identified by the specific municipal issuer. Municipal securities selected by the Portfolio Managers may range in credit quality.

Distressed Securities. Portfolio Managers that pursue "distressed" securities invest in securities, claims and obligations of domestic and foreign entities, including municipal securities, that are experiencing significant financial or business difficulties.

These strategies and investments involve significant risk of loss to clients and, therefore, clients must be prepared to bear the loss of their entire investment.

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

Multiple Portfolio Managers. Although the Adviser seeks to obtain diversification by investing with a number of different Portfolio Managers utilizing different strategies, it is possible that several Portfolio Managers may take substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject the investments of clients to more rapid changes in value than would be the case if the assets of clients were more widely diversified.

Limits on Information. The Adviser requests information from each Portfolio Manager regarding the Portfolio Manager's historical performance and investment strategy. The Adviser also requests detailed portfolio information on a continual basis from each Portfolio Manager retained on behalf of its private investment vehicles. However, the Adviser may not always be provided with such information because certain of this information may be considered proprietary information by the particular Portfolio Manager. This lack of access to information may make it more difficult for the Adviser to select, allocate among and evaluate Portfolio Managers.

Arbitrage Strategy Risks. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the client is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable "spreads", which can also be identified, reduced or eliminated by other market participants.

Distressed Strategy Risks. Investment in distressed situations exposes Investment Vehicles to significant risks including: the difficulty in obtaining information as to the issuer's true condition; regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability, and bankruptcy; litigation risk; liquidity risk and collection risk (especially when dealing with sovereign debt). Moreover, to the extent that Investment Vehicles are invested in sovereign or municipal debt obligations, those investments will be subject to additional risks and considerations not present in private distressed situations, including uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which are affected by world events, changes in U.S. foreign policy and other factors outside of the control of the Portfolio Manager.

Frequent Trading. A Portfolio Manager's primary strategy may entail frequent trading which results in significantly higher commissions and charges to an Investment Vehicle due to increased brokerage, which will offset Investment Vehicle profits.

Hedging. There can be no assurances that a particular hedge is appropriate for an Investment Vehicle, or that the Portfolio Manager evaluated certain risks properly. Further, while a Portfolio Manager may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Investment Vehicle than if the Portfolio Manager did not engage in any such hedging transactions.

Interest Rate Risks. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to

decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. The risk is greater for long-term securities than for short-term securities.

Lack of Diversification. Clients will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, clients are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

Leverage. Performance may be more volatile if a client or its underlying Investment Vehicles employ leverage.

Relative Value Risk. In the event that the perceived mispricings underlying a Portfolio Manager's relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Portfolio Manager, clients may incur a loss.

Event-Driven Risk. A Portfolio Manager may make event-driven investments. Results will vary and depend on the occurrence of events, the effect of an event on a particular market and a Portfolio Manager's ability to predict and react to an event. Clients may lose money if a Portfolio Manager is unable to predict or react to an event, gauge the magnitude of that event and its effect on a particular market and/or exit the Portfolio Manager's position in a timely manner.

Short Selling Risk. Portfolio Managers regularly engage in a significant amount of short selling. Short selling transactions expose the Investment Vehicles to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by a Portfolio Manager in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Portfolio Manager might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

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

Restricted Securities. The securities recommended by the Adviser are investments in Investment Vehicles and such securities are not registered under the Securities Act of 1933, as amended. Accordingly, the securities recommended by the Adviser are illiquid and are restricted as to their transferability. Such investments also have exposure to esoteric securities, which may carry additional risks, such as:

Asset-Backed Securities. Asset-backed securities are subject to interest rate risk and, to a lesser degree, prepayment risk. Asset-backed securities generally do not have the benefit of a security interest in the related collateral. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used.

Mortgage-Backed Securities. Investments in mortgage-backed securities involve the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk) and certain additional risks and special considerations (including the risk of principal prepayment and the risk of investing in real estate).

Derivatives. Swaps and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage. Derivative securities can also be highly volatile.

Distressed Securities. Investments in unrated or low grade debt securities of distressed companies and/or municipalities are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies.

Municipal Securities. Investments in debt securities of municipal issuers are subject to changes or proposed changes in federal tax laws could impact the value of those securities. Of particular concern would be large changes in marginal income tax rates or the elimination of the tax preference for municipal interest income versus currently taxable interest income. Also, the failure or possible failure of these debt issuances to qualify for tax-exempt treatment may cause the prices of these municipal securities to decline, possibly adversely affecting the value of the Client's portfolio. In addition, the municipal market is a fragmented market, and at certain times, may be driven by technical (as opposed to fundamental factors). There can be regional variations in economic conditions or supply-demand fundamentals. The municipal market is also still predominantly a retail buyer driven market. Therefore, it is subject to very different supply-demand fundamentals than corporate markets. Public information in the municipal market is also less available than in other markets, making it difficult to evaluate and value securities. Municipal securities are also subject to interest rate risk and may be tied to revenue associated with a specific project undertaken by a municipal issuer. The combination of these risks may adversely impact the price of a particular municipal security and/or create additional volatility in the price of such securities.

Non-U.S. Securities and Currencies. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets.

Emerging Markets. The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly.

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. Changes in the financial condition of a single issuer can impact the market as a whole.

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject an Investment Vehicle's portfolio to the risk that (i) the value of these securities overall will decline because of rising interest rates, and (ii) the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline.

Illiquid Instruments. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and a Portfolio Manager's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer.

Security Futures and Options. In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in an Investment Vehicle. In addition, there may be a lack of a liquid secondary market for a futures contract and a Portfolio Manager may be unable to close a futures position prior to its maturity date.

D. Other Risks.

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

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

of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of the *client* trading activities, liability under applicable law, regulatory intervention or reputational damage.

Risk Management Failures. Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of *clients* may be incomplete or altogether ineffective. Similarly, the Adviser may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to *clients*.

Effects of Health Crises and Other Catastrophic Events. Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on clients' investments and the Adviser's operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for client portfolio companies. In addition, under such circumstances the operations, including functions such as trading and valuation, of the Adviser and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

Item 9. Disciplinary Information

This Item is not applicable.

Item 10. Other Financial Industry Activities and Affiliations

- A. Broker-Dealer Registration Status.** The Adviser is not registered as a broker-dealer.
- B. Commodities-related Registration.** The Adviser is not registered as a commodity pool operator or a commodity trading advisor.
- C. Material relationships or Arrangements with Industry Participants.**

Mr. Gerald Molinari, the Adviser's Chief Financial Officer, operates a public accounting firm, specializing in tax planning, preparation and accounting services for small businesses and high net worth individuals. Mr. Molinari does not provide audit, tax or any other services to the clients. Mr. Molinari is not a member of the Adviser's Investment or Valuation Committees, nor does he provide any investment advisory services.

Ann Kenyon, the wife of Mark Kenyon and a principal owner of MAK Capital LLP, is a former partner at Deloitte LLP. Mrs. Kenyon is not involved in any management decisions at the Adviser

and Deloitte is not a vendor to the Adviser or any of the clients but does provide accounting services to certain of the Investment Vehicles. The Adviser has no control over the selection of accounting firms by the Portfolio Managers.

- D. Material Conflicts of Interest relating to Other Investment Advisers.** The Adviser does not receive compensation from other investment advisers for recommending or selecting other investment advisers for its clients.

Certain employees (the “Shared Employees”) of the Adviser also perform activities for other investment advisory firms (the “Outside Advisers”). The investment advisory activities conducted by the Outside Advisers are operated separately and independently from the Adviser’s investment advisory business. The Adviser has developed policies and procedures to ensure that business and operations of the Adviser and the Outside Advisers remain separate and independent and to address potential conflicts of interest that may arise as a result of these arrangements. These policies require, among other things, each Shared Employees to be an “Access Person” of the Adviser.

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”) that obligates the Adviser and its related persons to put the interests of the Adviser’s clients before their own interests and to act honestly and fairly in all respects in their dealings with the clients. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. Investors or prospective investors may obtain a copy of the Code by contacting Joseph H. Marren (Chief Compliance Officer) by email at jm@kstonepartners.com, or by telephone at 914-495-7005.

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

- B. Client Transactions in Securities where Adviser has a Material Financial Interest.** The Adviser may recommend that one client invest in another client. The Adviser addresses the conflicts of

interest related to such recommendation by ensuring that the Adviser does not receive compensation for an investment by one client in another client. The Adviser believes that the elimination of double fees reduces any conflicts of interest.

- C. *Investing in Securities Recommended to Clients.*** In addition, the Adviser or its related persons have invested in the same securities that the Adviser or a related person has recommended to its clients. Such practices present a conflict where, because of the information the Adviser has, the Adviser or its related person are in a position to trade in a manner that could adversely affect its clients (e.g., investing in an Investment Vehicle with limited capacity thereby precluding a client's ability to invest in such vehicle).

The Adviser has adopted the following procedures in an effort to minimize such conflicts:

The Adviser requires its related persons/access persons to pre-clear only certain limited offerings and initial public offerings in their personal accounts with the Chief Compliance Officer (subject to certain exceptions), who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. In addition, the Adviser's Code prohibits the Adviser or its related persons/access persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser's related persons are required to disclose their securities transactions on a quarterly basis and holdings on an annual basis. All of the Adviser's related persons are also required to provide broker confirmations of each transaction in which they engage and a quarterly certification of such transactions. Trading in employee accounts will be reviewed by the Chief Compliance Officer and compared with transactions for the clients and reviewed against the restricted securities list.

- D. *Conflicts of Interest Created by Contemporaneous Trading.*** The Adviser or a related person may from time to time recommend securities to clients, or buy or sell securities for clients, at or about the same time that the Adviser or related person buys or sells the same securities for its own account. Any such purchase or sale by the Adviser or related person will be made in accordance with the procedures described herein in order to minimize the conflicts stemming from circumstances where contemporaneous trading may result in a situation where the Adviser or a related person invests in an Investment Vehicle with limited capacity thereby precluding the client from making the same investment.

Item 12. Brokerage Practices

Generally, the Adviser makes direct investments in Investment Vehicles for its clients, which does not require the use of a broker-dealer. The following discussion would relate to circumstances under which the Adviser either makes a direct investment for a client or receives a distribution in kind and must dispose of such investment.

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

To the extent the Adviser makes direct investments for its clients, the Adviser will consider a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution,

and offering to the Adviser on-line access to computerized data regarding a client's accounts. In selecting a broker-dealer 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. To the extent the Adviser engages brokers, the Adviser's Chief Compliance Officer and selected employees will meet periodically to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

During the Adviser's last fiscal year, none of its clients utilized any brokerage services.

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

To the extent the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser's Chief Compliance Officer and selected employees will meet periodically to review and evaluate the Adviser's soft dollar practices and 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.

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 seeks to allocate soft dollar benefits to clients proportionately to the soft dollar credits the accounts generate.

In some instances, the Adviser may obtain a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be made based on the actual use of the product or service by the Adviser's personnel. The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources. The determination of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between the Adviser and clients.

2. Brokerage for Client Referrals. The Adviser does not select or recommend broker-dealers based on whether the Adviser receives client referrals from such broker-dealer.

3. Directed Brokerage. The Adviser does not have directed brokerage arrangements with its clients.

B. Order Aggregation.

Generally, when the Adviser is going to invest on behalf of multiple clients in an Investment Vehicle, to the extent there is limited capacity in such Investment Vehicle, the capacity is allocated on a pro rata basis or on such other basis as deemed fair and equitable by the Adviser. To extent the Adviser makes direct investments in securities, the Adviser may purchase or sell the same security for clients contemporaneously/at or near the same time and using the same executing broker. In such circumstances, the Adviser will, where possible, aggregate client orders for the purchase or sale of the same security submitted contemporaneously/at or near the same time for execution using the same executing broker. The Adviser will also aggregate in the same transaction, the same securities for accounts where the Adviser has brokerage discretion. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. When an aggregated order is

completely filled, the Adviser will allocate the securities purchased or proceeds of sale pro rata among the participating clients, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated pro rata among its clients.

Item 13. Review of Accounts

- A. *Frequency and Nature of Review.*** Each discretionary client account is reviewed by the Chief Investment Officer and the Investment Committee of the Adviser on a monthly basis to determine whether Investment Vehicles and securities positions should be maintained in view of current market conditions. Matters reviewed include specific Investment Vehicles and securities held, adherence to investment guidelines and the performance of each client account.
- B. *Factors Prompting a Non-Periodic Review of Accounts.*** Significant market events affecting the prices of one or more Investment Vehicles in a discretionary client account or changes in the investment objectives or guidelines of a particular discretionary client account may trigger reviews of an account on other than a monthly basis.
- C. *Content and Frequency of Regular Account Reports.*** A discretionary client's investors receive reports from the client pursuant to the terms of each client's offering memoranda or as otherwise described in the offering document of the client.

Item 14. Client Referrals and Other Compensation

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

To the extent the Adviser engages brokers, the Adviser may receive certain research or other products or services from broker-dealers through "soft-dollar" arrangements. These "soft-dollar" arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its clients. Please see Item 12 for further information on the Adviser's "soft-dollar" practices, including the Adviser's procedures for addressing conflicts of interest that arise from such practices.

B. *Compensation to Non-Supervised Persons for Client Referrals*

The Adviser may make cash payments to third-party solicitors for investor referrals, provided that, to the extent required, each such solicitor has entered into a written agreement with the Adviser in compliance with applicable rules and No Action Letters. Where applicable, cash payments for investor solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.

Item 15. Custody

The Adviser is deemed to have custody of client assets and intends to comply with Rule 206(4)-2 under the Advisers Act, by meeting the conditions of the pooled vehicle annual audit provision.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to certain clients. Please see Item 4 for a description of any limitations the clients may place on the Adviser's discretionary authority. Prior to assuming full discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that clients are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. Notwithstanding the foregoing, the Adviser will not be responsible for losses resulting from trade errors unless such trade error was caused by the willful misconduct or gross negligence of the Adviser. Trade errors that result other than by breach of the standard of care above are borne by the client account.

Item 17. Voting Client Securities

A. *Policies and Procedures Relating to Authority to Vote Client Securities.*

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

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting Joseph H. Marren (Chief Compliance Officer) by email at jm@kstonepartners.com or by telephone at 914-495-7005.

B. *No Authority to Vote Client Securities and Client Receipt of Proxies.* Currently, the Adviser has been delegated authority to vote discretionary client securities.

Item 18. Financial Information

This Item is not applicable.